Leicestershire County Council

Meeting: **Constitution Committee**

Date/Time: **Friday, 24 May 2024 at 12.00 pm**

Location: **Sparkenhoe Committee 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)

Mr. P. Bedford CC	Mr J. Poland CC
Mr. L. Breckon JP CC	Mr. R. J. Shepherd CC
Mr. M. T. Mullaney CC	Mrs D. Taylor CC

AGENDA

Item		Report by	
1.	Appointment of Chairman		
2.	Appointment of Deputy Chairman		
3.	Minutes of the meeting held on 30 April 2024		(Pages 3 - 4)
4.	Question Time.		
5.	Questions asked under Standing Order 7(3) and 7(5).		
6.	To advise of any other items which the Chairman has decided to take as urgent.		
7.	Declarations of interest.		
8.	Statement of Accounts, Annual Governance Statement and Pension Fund Accounts 2022/23	Director of Corporate Resources	(Pages 5 - 310)

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

Agenda Item 3

Leicestershire County Council

Minutes of a meeting of the Constitution Committee held at County Hall, Glenfield on Tuesday, 30 April 2024.

PRESENT

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

Mr. P. Bedford CC	Mr. M. T. Mullaney CC
Mr. L. Breckon JP CC	Mrs D. Taylor CC

27. Minutes of the meeting held on 15 May 2023.

The minutes of the meeting held on 15 May 2023 were taken as read, confirmed and signed.

28. Question Time.

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

29. 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).

30. Urgent Items.

There were no urgent items for consideration.

31. 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.

32. Report of the Independent Remuneration Panel on Members' Allowances

The Committee considered a report of the Chief Executive which presented the report of the Independent Remuneration Panel on Members' Allowances and invited the Committee to make recommendations to the County Council on proposals for a new scheme of allowances in the light of the contents of that report. A copy of the report marked 'Agenda Item 6' is filed with these minutes.

RESOLVED:

That the County Council be recommended to approve the recommendations as set out in the report of the Independent Remuneration Panel on Members' Allowances.

33. Exclusion of the press and public

RESOLVED:

That under Section 100(a)(4) of the Local government Act 1972, the public be excluded for the following item of business on the grounds that it involves the likely disclosure of exempt information as defined in Paragraph 1 of Part 1 of Scheduled 12A of the Act and that, in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information:

- Charitable Trust Future Arrangements

34. Charitable Trust Future Arrangements

The Committee considered a report of the Director of Law and Governance which provided an update to the Committee sitting as Trustee on the progress in the transition of the Educational Trusts of which the County Council was the sole corporate Trustee. A copy of the report marked 'Agenda Item 9' is filed with these minutes. The report was not for publication by virtue of paragraphs 1 and 3 of Scheduled 12A of the Local Government Act 1972.

RESOLVED:

(a) That the position in relation to the Leicestershire and Rutland Community Foundation (LRCF) Leicestershire Educational Trust Fund and the tranche 2 closure and transfers referred to in the report be noted;

(b) That the position in relation to the Kibworth Beauchamp High School Foundation be noted and:

(i) That the roll-over of the agricultural tenancies to allow maximum flexibility on future arrangements be approved;
(ii) That the Director of Law and Governance and Director of Corporate Resources be instructed to explore the options outlined in para 21 of the report with The Mead Educational Trust and the LRCF and to report back to the Committee;

(c) That the grants policy attached as Appendix C to the report be approved.

12.00 noon – 12.30pm
30 April 2024

CHAIRMAN

Leicestershire County Council

CONSTITUTION COMMITTEE – 24 MAY 2024

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

STATEMENT OF ACCOUNTS, ANNUAL GOVERNANCE STATEMENT & PENSION FUND ACCOUNTS 2022/23

PURPOSE

1. The purpose of this report is to:

   a) present the 2022/23 financial statements 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 financial statements comprise the accounts for the County Council, the Annual Governance Statement and the accounts for the Pension Fund. The draft 2022/23 accounts were published at the end of June 2023. The accounts are then subject to external audit.

3. The Accounts and Audit Regulations 2015 require authorities to publish their final accounts and auditor's opinion by the 30 September each year. For the previous three financial years (2019/20 to 2021/22) the legislation had been amended to extend this deadline to the end of November. In April 2023 the Government decided to no longer allow for the extension and the temporary amendments were not continued.

4. The end of September 2023 deadline was not achievable by both the Council and the external auditor, due to knock on delays from the 2021/22 audit of the accounts, which were finalised in March 2023 while awaiting new legislation and subsequent Cipfa guidance to be received in respect of the revised accounting treatment for Infrastructure (highways) assets and pressures on auditor capacity. These issues are affecting many Councils nationally with many Council's financial statements not yet signed off. For some they have accounts for multiple years not yet completed. As part of the planning for the 2022/23 audit the County Council and the external auditor agreed to a revised deadline for the final audit opinion to early 2024.

5. The external audit was substantially completed in January 2024, with the exception of the valuation of land and buildings which delayed the County Council opinion. No delays were encountered on the Pension Fund audit opinion.

6. These issues have now been resolved and a copy of the updated financial statements is attached as Appendix A.

7. Copies of the external auditor's, Grant Thornton UK LLP, audit findings reports for the County Council and its Pension Fund are attached as Appendix B and Appendix C respectively.

8. Copies of the letters of representation for the County Council and its Pension Fund are attached as Appendix D and Appendix E.

9. The Corporate Governance Committee will consider the auditor's final reports at its meeting on 20 May 2024. 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 this meeting of the Constitution Committee. The auditor anticipates issuing an unqualified audit opinion on the County Council and the Pension Fund accounts.

10. The level of audit testing has continued to increase significantly compared to previous years. This stems from increased requirements on auditors from their regulators, the National Audit Office, and is reflected in the increasing levels of audit fees.

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

STATEMENT OF ACCOUNTS

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

Narrative Statement

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

Movement in Reserves Statement (MIRS)

14. 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.

15. Unusable reserves include reserves that hold unrealised gains and losses as well as adjustments for the differences between amounts charged in accordance with accounting standards and amounts charged for statutory purposes. An example is the short term accumulating compensated absences adjustment account. This account holds the estimated value of untaken annual leave and time-off-in-lieu as at the balance sheet date. The charge is required to be recognised by accounting standards, but statutory mitigation then requires it to be reversed out via an unusable adjustment account to avoid it being a charge to the General Fund. Other examples include capital charges for depreciation, gains and losses on investments, and the deficit on the dedicated schools grant.

16. Overall, usable reserves, which comprise the General Fund and earmarked revenue and capital reserves, total £255.5m as at 31 March 2023:

Usable Reserves	**31/3/22**	**31/3/23**
	£m	**£m**
General Fund – Delegated Funding for Schools	11.3	9.1
General Fund – Uncommitted Balance	18.0	19.0
Total General Fund	**29.3**	**28.1**
Earmarked Revenue Reserves	224.5	222.3
Earmarked Capital Reserves	0.9	5.1
Total Usable Reserves	**254.7**	**255.5**

General Fund

17. The General Fund includes delegated funding for schools and the uncommitted balance of the County Council which is held for unforeseen risks that require short term funding. The balance of £19m represents 3.7% of the net budget (excluding schools' delegated budgets for 2023/24). The new MTFS 2024-28 includes plans to increase the uncommitted fund to £24m by the end of 2027/28 to reflect increasing uncertainty and risks over the medium term.

Earmarked Revenue and Capital Reserves

18. Details of the earmarked revenue reserves can be found in Note 12 to the accounts. The significant earmarked funds held are:

- Capital Financing £111m. This earmarked revenue reserve is used to hold MTFS revenue contributions required to fund the approved capital programme in future years. This reserve is fully committed to fund the 2024-28 MTFS capital programme and will be used before any of the planned £93m unsupported borrowing included in the 2024-28 MTFS capital programme is used. 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 £25m investment in Pooled Property Funds. The funding of the £25m 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.

- Budget Equalisation £40m. This reserve is held to manage variations in funding across financial years. This includes the increasing pressures on the High Needs element of the Dedicated Support Grant which was in deficit by £35m as at 31 March 2023 and is forecast to increase to £111m by the end of 2027/28.

- Insurance £16m. 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.

- Other earmarked funds £60m. Funds for a range of issues including health and

social care initiatives, public health initiatives, business rates reset and a range of service developments and initiatives including transformation projects as detailed in Note 12 to the accounts.

19. Capital receipts and capital grants unapplied total £5.1m. The balance held represents funds received, but not applied as at year end. The amounts vary as and when capital projects complete.

20. The required level of earmarked funds is kept under review during the year. Formal assessments are undertaken during the autumn, in February as part of the Medium Term Financial Strategy (MTFS) and also at year end.

Comprehensive Income and Expenditure Statement (CIES)

21. 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.

22. 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 movements to and from reserves are reported.

23. The CIES shows a net deficit on the provision of services for 2022/23 of £55m compared with a net surplus of £20.1m in 2021/22. The change is a combination of factors including a reduction in grant income in the Adults and Communities and Public Health departments (Covid-19 related grants received in 2021/22), the increased dedicated schools grant deficit and the write out of land and buildings due to academy conversions.

Balance Sheet

24. The Balance Sheet shows the value of the assets and liabilities of the County Council as at the balance sheet date. As at 31 March 2023 net assets of the County Council were £989m (prior year, £444m). The principal reason for the increase is due to a decrease in the net pension liability of £542m.

25. The net deficit on the pension fund as assessed under International Accounting Standard 19 (IAS19) had decreased to £35m at year end from £576m at the same time last year. This was mainly due to an increase in the discount rate used to calculate the present value of future pension fund liabilities (the higher the discount rate used the lower the present value of future liabilities). During the year corporate bond yields increased, resulting in a higher discount rate in the IAS19 pension fund valuation report used in the accounts.

26. 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. 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.

27. However, it is the triennial fund valuation, most recently as at 31 March 2022, that actually informs the levels of future contributions required. The results of the latest valuation reported that the fund had increased to a 105% funded position (89% previously), which was a remarkable improvement, largely driven by investment return over the last 3 years.

28. The Balance Sheet also shows the valuation of Property, Plant and Equipment owned by the County Council. The total held was £937m as at year end compared with £943m for the previous year end. The change reflects capital additions in year through the capital programme, revaluation gains and losses, reductions for depreciation and assets written out due to academy conversions.

29. Accounting Provisions increased slightly to £9m from £8m. Provisions are held to fund liabilities of uncertain timing or amount and are shown in greater detail in Note 27 to the accounts. The main provisions held are for; Insurance, representing the estimated value of outstanding unsettled claims as at 31 March 2023, Business Rates (the County Council's 'notional' share of the district councils' business rates appeals), and a provision for the restoration of a Council owned county farm. The share of business rates appeals is notional as it is required to be reversed out via the Collection Fund Adjustment Account (shown at the bottom of the Balance Sheet) in order that it is not a charge to the General Fund.

30. Investments held include; Cash and Cash Equivalents (highly liquid investments that mature within 3 months or less from the date of acquisition) and short and long term investments. These totalled £521m as at 31 March 2023, compared with £465m at the same time last year. The increase is mainly related to the increase in short-term capital grants received in advance, specifically government grant received in advance for the new Melton Mowbray distributor road.

31. The capital financing requirement (CFR) is shown in Note 39 to the accounts and totals £208m 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 £262m. The difference between the CFR and actual debt is a temporary overborrowed position of £54m which has subsequently been reduced in 2023/24 to £18m through favourable opportunities taken to repay debt early. The overborrowed balance is forecast to be reversed over the MTFS period due to planned increases in the CFR from (internal) borrowing to fund the four-year capital programme. This position is refreshed annually as part of the MTFS.

ANNUAL GOVERNANCE STATEMENT

32. 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 is approved by the Corporate Governance Committee.

PENSION FUND ACCOUNTS

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

34. The latest available triennial actuarial valuation of the pension fund showed that as at 31 March 2022 the fund's assets covered approximately 105% of the liabilities accrued up to that date. This funding level was a significant increase on the 89% position reported in the 2019 valuation. Although the funding level of individual employers will vary the positive position indicated that the contribution rates for the majority of employing bodies is expected to have peaked

35. There were 189 active employers within the fund and over 103,000 members in the pension scheme as at 31 March 2023.

36. The overall net assets of the fund remained level during the year at £5.8bn. Investment returns were £44m, the same as in 2021/22. Details of the investments held are shown in Note 12 to the Pension Fund Accounts.

KEY FINDINGS OF THE EXTERNAL AUDITOR

Audit Findings Report – Leicestershire County Council 2022/23

37. The auditor has reviewed the financial statements and anticipates issuing an unqualified opinion. The auditor will have provided an update to the Corporate Governance Committee on 20 May 2024.

38. It should be noted that as a result of increasing regulation on audit firms the external audit for 2022/23 has continued to increase significantly in its coverage and expectations. This is also reflected in the increase in fees in recent years and those advised for the new audit contract from 2023/24.

39. The auditor reported their initial findings, with the exception of Property, Plant and Equipment (PPE), to the Corporate Governance Committee in January 2024 as planned. There were issues with the audit of PPE due to delays in providing the evidence required to support the valuations used in the Council's accounts.

40. The Council uses an external firm of valuers to undertake property valuations. The original valuations were provided on time and were used in the Council's draft accounts reported in June 2023. However, there were delays during the audit in obtaining the required level of evidence to support the calculations for the sample requested by the auditor. Changes in staff at the external valuation firm have meant that there have been delays and valuations having had to be reperformed, including corrections to prior year valuations. A number of updated valuation reports were required over a number of months to manage the changes required. This has resulted in a substantial amount of rework to the draft accounts. A new firm of external valuers have been contracted for the 2023/24 valuations.

41. The main issue was due to non-school building areas being incorrectly valued at the same rate as the building areas – which attract a higher valuation. Further investigation identified that the overstatement originated from 2019/20. All school valuations since 2019/20 have now been updated. Separately, the Council has also

reviewed assets held at historic cost. This has identified that some of these assets were no longer owned by the Council and needed removing from the fixed asset register and some needed to be revalued down.

42. As a result of the updates, there was a reduction of £40.1m needed to the carrying value of land and buildings included within the balance sheet as at 31 March 2022 and a further £9m reduction as at 31 March 2023. The accounts have been updated for these amendments. Alongside the appointment of a new firm of external valuers for 2023/24, the Council has also introduced additional validation checks on the valuations received before they are used in the accounts.

43. It should be noted that these corrections do not have any impact on the Council's general fund balance and are offset within the unusable reserves of the Council via the capital adjustment account and the revaluation reserve.

44. During the audit an adjustment of £14.2m was also required to increase the amount reported for net pension fund liability. The pension fund liability comprises the net Local Government Pension Scheme (LGPS) position which was a £14.2m net asset – the first time in more than 15 years that it has been an asset - and the value of unfunded pension liabilities relating to added pension years for the LGPS and the Teachers' pension scheme, which were a £34.6m liability. Together these gave a net overall pension liability of £20.4m which was used in the draft accounts. However, due to the net asset position on the LGPS scheme there is a technical accounting assessment required (per IFRIC14) which places a restriction over the amount of a net asset that can be recognised. In principle, the amount recognised as an asset may not exceed its recoverable amount. An asset ceiling calculation was subsequently undertaken which shows that the net LGPS asset of £14.2m cannot be realised due to future minimum funding requirements of the LGPS and should not have been recognised in the accounts. This has been amended for in the accounts. It is a technical accounting adjustment and does not affect usable reserves.

45. Disclosure note 20 (financial instruments) to the accounts was amended during the audit to remove amounts for payments in advance and grants received in advance which had bene incorrectly included as financial assets and financial liabilities respectively. These were also incorrect in previous years and have now been corrected. This only affects the disclosure note and no further changes were required to the main statements.

Audit Fees

46. The auditor has confirmed their final audit fee for 2022/23 as £179,000 compared with the proposed fee of £128,815 in the audit plan. The increase in the fee is due mainly to the additional work required for the property asset valuation corrections necessary to the accounts. The Council will be seeking some contribution to these costs from the external valuer.

Audit Findings Report – Leicestershire County Council Pension Fund 2022/23

47. The auditor has completed their work and no material adjustments were required to the accounts.

48. During the audit there was one non-material adjustment identified totalling £3.8m relating to the valuation of hard to value pooled assets, which was not available when the accounts needed to be prepared. For these assets, estimates have to be made as the valuations are not known for many months until after the year end date. The amount was not material overall and this was not adjusted for in the accounts. This was agreed with the external auditor.

49. The proposed audit fees for the pension fund have been increased slightly from £36,793 to £38,193 due mainly to work required to review the Triennial pension fund valuation. A separate additional fee of £19,200 is made for work relating to the IAS19 accounting assurance letters undertaken by the Pension Fund's auditor on behalf of the main admitted bodies of the Fund. These charges are fully recharged to the respective admitted bodies.

Value for Money Arrangements

50. The Auditor's Annual Report (AAR) was reported to the Corporate Governance Committee in January 2024. A copy is attached for information, Appendix F.

51. The AAR is a detailed review of the value for money (VfM) arrangements at the Council. This is the third AAR with the first being in 2020/21. The last report, for 2021/22, was reported in March 2023.

52. The AAR covers the following areas:

- Financial sustainability.
- Governance.
- Improving economy, efficiency and effectiveness.
- Opinion on the financial statements

53. Overall, the auditor's report is positive. They have concluded that the Council has a good track record of sound financial management, has strong arrangements in place to manage the financial resilience risks and has a documented governance framework in place that ensures all relevant information is provided and challenged before all major decisions are made. No significant weaknesses have been reported.

RECOMMENDATION

54. The Committee is recommended to approve the financial statements for 2022/23.

BACKGROUND PAPERS

Provisional revenue and capital outturn, Cabinet – 26 May 2023
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7076&Ver=4

CIRCULATION UNDER THE LOCAL ISSUES ALERT PROCEDURE

None.

EQUAL OPPORTUNITIES IMPLICATIONS

None.

APPENDICES

Appendix A - Financial Statements 2022/23
Appendix B - External Auditors Report - County Council
Appendix C - External Auditors Report - Pension Fund
Appendix D - Letter of Representation – County Council
Appendix E - Letter of Representation – Pension Fund
Appendix F - Auditor's Annual Report 22/23

OFFICERS TO CONTACT

Officers to Contact

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,
☎0116 305 7668 E-mail Declan.Keegan@leics.gov.uk

Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,
☎0116 305 7066 E-mail Simone.Hines@leics.gov.uk

This page is intentionally left blank

Leicestershire County Council, Statement of Accounts, Annual Governance Statement and Pension Fund Accounts 2022/23

	Page
Leicestershire County Council Accounts	
Introduction	2
Narrative Statement	3
Movement in Reserves Statement (MIRS)	9
Comprehensive Income and Expenditure Statement (CIES)	10
Balance Sheet	11
Cash Flow Statement	12
Notes to the Primary Statements	13
Statement of Responsibilities for the Statement of Accounts	81
Leicestershire County Council Pension Fund Accounts	82
Fund Account	84
Net Assets Statements	84
Notes to the Pension Fund Accounts	85
Pension Fund Actuarial Statement	110
Pension Fund Accounts Reporting Requirement	112
Statement of Responsibilities for Leicestershire County Council Pension Fund	114
Audit Opinion	115
Annual Governance Statement	117
Glossary of Terms	139

Introduction to the Statement of Accounts

Councillor Preface



The County Council continues to face significant financial challenges as a result of inflationary and service demand pressures. The latest Medium Term Financial Strategy (MTFS), approved in February 2023, sets a balanced budget for 2023/24, but with gaps in funding for the following 3 financial years; £13m in 2024/25 rising to £88m by 2026/27. This position is after identified savings in the MTFS of £37m that need to be delivered. In addition, there are continuing significant pressures on the dedicated schools grant (DSG) with an accumulated deficit of £30m as at 31st March 2023 which is forecast to increase to around £80m by 2026/27. To bridge the gap several initiatives are being investigated to generate further savings.

The Council is on track to meet these challenges because of the forward planning and its excellent track record in delivering savings. 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 I am confident that the Council is well placed to meet these challenges.

Mr. L. Breckon
Cabinet Lead Member for Corporate Resources

Foreword from the Director of Corporate Resources



The County Council is operating in an extremely challenging financial environment following more than a decade of austerity and spending pressures, particularly from social care and special education needs, and more recently the Covid-19 pandemic and rising inflation. There is also significant uncertainty and risk around future funding levels.

Despite these challenges the 2022/23 revenue and capital outturns were both delivered within budget. During 2022/23 the Council has invested in a number of capital projects, all funded without the need for any new borrowing, including:

- £35m investment in Children and Family Services, including 970 additional school places
- £20m investment in highways maintenance
- £13m on major road improvements in the County

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

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

D Keegan
Director of Corporate Resources

Narrative Statement

1. Organisational Overview and External Environment

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

Leicestershire remains the lowest funded county council in the country with greater risks as a result. The Council's financial position continues to be extremely challenging, with £250m saved since 2010 and a further £150m to save by 2026/27. The position is serious with major implications for the provision of services to the people of Leicestershire. Reductions in government funding, rising demands and rising inflation have made it increasingly difficult to maintain good service delivery levels and target service improvements where required.

The current funding system does not share national resources fairly, and this view is shared by many others in local government. The Council has presented a new simplified funding model to central government based on factors that drive demand for local services. It allocates money in a fair way, based on need, and narrows the gap between the highest and lowest funded councils. A move to a fairer funding model is an urgent requirement to help tackle the Council's financial challenges.

Leicestershire as a Place

Leicestershire covers an area of 208,000 hectares, with a population of around 713,000 people. The population has grown by 9.5% since the 2011 Census, which is faster than the national and regional growth rates. The County population is predicted to reach 860,000 by 2043, with particular growth among the over 70's. 82% of Leicestershire's area is classified as rural while 70% of the population live in our towns and urban areas.

Out of work benefit claimant rates are consistently below national and regional levels but remain higher than before the COVID-19 pandemic. Manufacturing is the largest industrial sector in the county, accounting for 13% of all employment, followed by Professional, Scientific and Technical (11%) and Transport and Storage (10%). 90% of our residents tell us that they are satisfied with the county as a place to live, significantly higher than the equivalent national figure.

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

Leicestershire County Council

Leicestershire County Council is an upper tier of local government with 55 councillors who are elected every 4 years. The Council has 6,108 employees (excluding schools) organised into 6 departments:

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

2. Governance

The Council's Annual Governance Statement (AGS) summarises the outcome of the Council's review of the Governance Framework that has been in place during 2022/23. 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 2 significant governance issues in 2022/23 which are further explained in section 8 of the AGS.

3. Risks and Opportunities

A risk management strategy is in place to identify and evaluate risk. The Council's corporate risk register contains the most significant risks which the Council is managing. Separate risk registers are in place for key departmental and service risks. Central government funding reductions and rising demands have seen a higher level of risk needing to be managed and this has been further exacerbated by the COVID-19 crisis and resulting economic impact.

4. Strategy & Resource Allocation

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

people to see and experience in their daily lives:

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

These key strategic outcomes form part of the Council's medium-term financial planning process which covers a four-year period and is refreshed annually.

.

5. Financial Performance

Revenue Budget

A summary of the net revenue outturn for 2022/23 is set out below:

2021/22 Budget	2021/22 Outturn	2021/22 Variance		2022/23 Budget	2022/23 Outturn	2022/23 Variance
£m	£m	£m		£m	£m	£m
157.7	160.1	2.4	Adults & Communities	186.3	189.5	3.1
12.8	12.9	0.1	Chief Executive's	15.9	15.8	(0.1)
90.5	86.8	(3.7)	Children & Family Services	94.5	97.7	3.1
35.4	36.5	1.1	Corporate Resources	39.5	41.2	1.6
84.7	81.0	(3.7)	Environment & Transport	92.0	90.1	(1.8)
(1.3)	(1.3)	0.0	Public Health	(1.4)	(1.4)	0.0
61.7	65.2	3.5	Central Items and Contingencies	44.9	47.2	2.3
441.5	**441.2**	**(0.3)**		**471.7**	**480.0**	**8.3**
			Funded by:			
(69.4)	(72.0)	(2.6)	Business Rates	(74.5)	(89.5)	(15.0)
(329.9)	(334.9)	(5.0)	Council Tax	(355.2)	(355.2)	0.0
0.0	0.0	0.0	Revenue Support Grant	0.0	0.0	0.0
(30.4)	(30.4)	0.0	General Grants	(42.0)	(42.0)	0.0
(11.8)	(11.8)	0.0	Covid-19 General Grants	0.0	0.0	0.0
(441.5)	**(449.1)**	**(7.6)**		**(471.7)**	**(486.7)**	**(15.0)**
0.0	**(7.9)**	**(7.9)**	**NET OUTTURN**	**0.0**	**(6.7)**	**(6.7)**

The 2022/23 net outturn was a net underspend of £6.7m, which has been set aside in earmarked reserves to provide funding for additional commitments. The financial year saw significant additional inflationary pressures and also increasing demand pressures on children's and adult social care services. The additional business rates income includes £13m arising from a change in the allocation basis of the Business Rates Pool levies during 2022/23. An equivalent amount was included under Central Items setting aside the funds in the Capital Financing earmarked reserve for future capital schemes, this was partially offset in the Central items line by £7m of additional interest on balances, relating to higher base rates.

The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. The 2023-27 MTFS includes a savings requirement of £150m, including High Needs DSG savings.

Capital Budget

A summary of the capital outturn for 2022/23 is set out below:

2021/22 Budget	2021/22 Outturn	2021/22 Variance	Capital	2022/23 Budget	2022/23 Outturn	2022/23 Variance
£m	£m	£m		£m	£m	£m
5.2	5.0	(0.2)	Adults & Communities	5.4	4.8	(0.6)
2.3	1.3	(1.0)	Chief Executive's	1.0	0	(1.0)
38.8	26.6	(12.2)	Children & Family Services	47.7	34.7	(13.0)
2.5	1.2	(1.3)	Corporate Programme	15.0	9.3	(5.7)
8.6	7.0	(1.6)	Corporate Resources	6.1	3.7	(2.3)
61.4	41.1	(20.3)	Environment & Transport	49.5	41.9	(7.6)
0.0	0.0	0.0	Public Health	0.0	0.0	0.0
118.8	**82.2**	**(36.6)**		**124.7**	**94.4**	**(30.3)**

Overall there has been a net underspend of £30.3m compared with the updated budget. The net underspend has been carried forward to the 2023-27 capital programme to fund delayed projects.

Further detail of the budget outturn variances for revenue and capital can be found be in the Cabinet report dated 26 May 2023 available on the County Council's Website.

6. Operational Performance

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

The Council regularly monitors its performance position and areas for improvement through service benchmarking. Looking at published data for 2021/22, the Council's overall performance position was 5th of 32 two-tier county and county unitary areas, using a basket of over 240 performance indicators spanning Council and partnership activity.

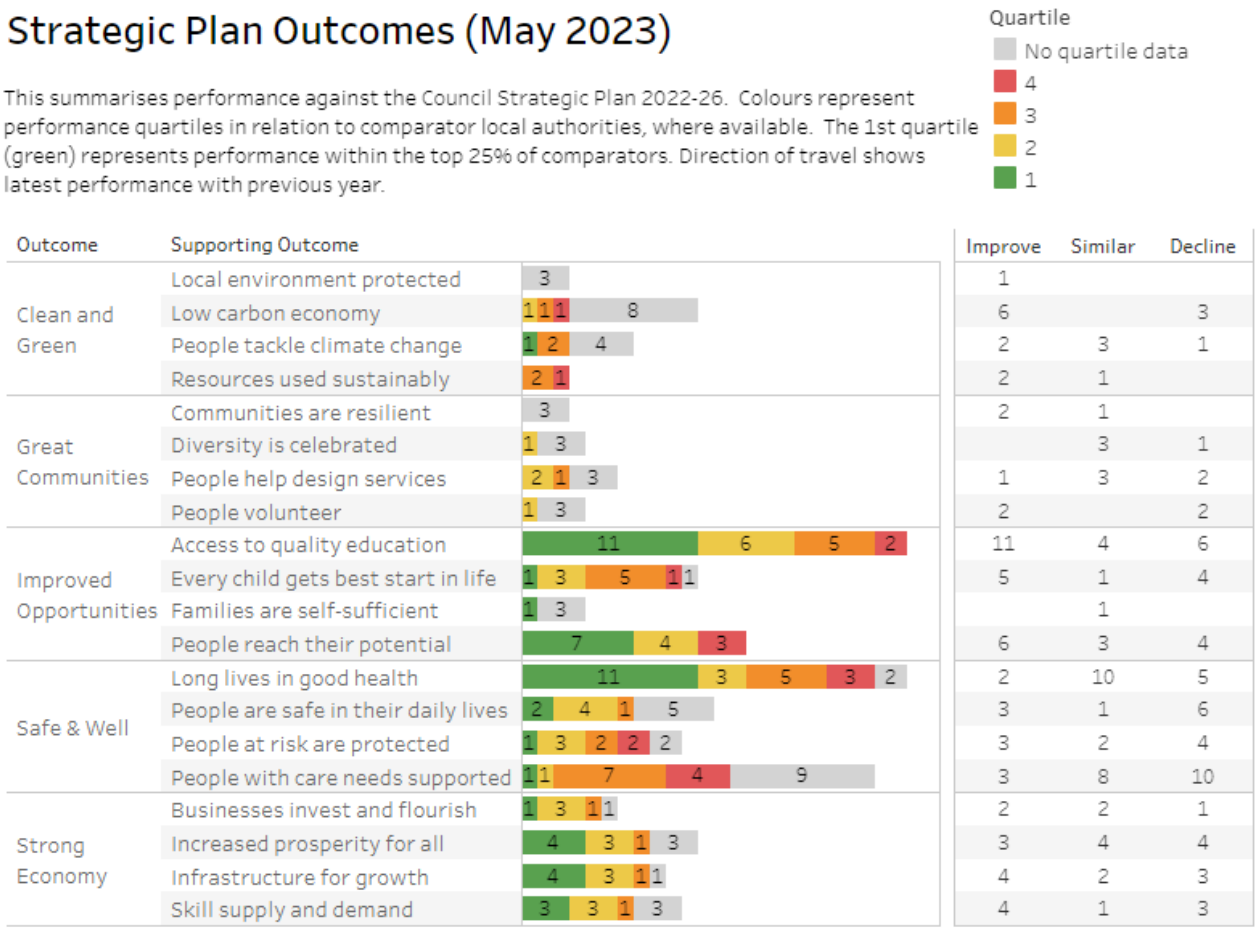
In a separate exercise, iMPOWER Consulting has in the past analysed the productivity of English local authorities using published data, taking performance metrics and calculating overall outputs per pound invested. The Council was ranked top performer for the last 3 published years – reflecting the Council's good overall performance and also the fact Leicestershire is the lowest funded county and has to maintain rigorous cost and efficiency controls.

The Council's strategic outcomes set out our aspirations for our people and places. The following chart sets out our progress towards the outcomes from the Council Strategic Plan 2022-26. Where it is available, the chart indicates which comparative quartile Leicestershire's performance falls into based upon 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.

Where it is available, the chart also indicates whether performance has improved, is similar to, or has declined compared over the past year.

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



Where it is available, the chart indicates the number of indicators within each outcome and the quartile in which Leicestershire's performance falls into for each indicator. The 1st quartile is defined as performance that falls within the top 25% of relevant comparators. Where it is available, the chart also indicates whether performance has improved, is similar to, or has declined compared to the last relevant data point.

7. Medium Term Financial Strategy

Medium Term Financial Strategy (MTFS)

The County Council continues to operate in an extremely challenging financial environment following more than a decade of austerity and spending pressures, particularly from social care and special education needs and disabilities (SEND). These are challenges being faced by all 150 upper tier authorities. These pressures continue to increase. There is also additional financial strain arising from significant increases in inflation affecting all service areas..

The Authority's latest 4 year Medium Term Financial Strategy (MTFS) agreed in February 2023 is based on a council tax increase of 4.99% for 2023/24, followed by annual increases of 1.99% in the following years. Delivery of the MTFS requires savings of £125m to be made between 2023 and 2027. The MTFS sets out in detail £37m of savings and proposed reviews that will identify further savings to offset the forecast £88m funding gap by 2026/27.

A further £25m of savings will be required over the MTFS period to ensure that High Needs funding can be contained within the annual government grant. This is in addition to a forecast dedicated schools grant deficit of £81m by 2026/27.

Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

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

8. Current Borrowing / Investments

The capital financing requirement (CFR) shown in note 39 to the financial statements measures the Authority's need to borrow for capital purposes. The total of non-current assets as at 31 March 2023 was £1.0bn (as at 31 March 2022 £1.0bn). The CFR was £208m as at 31 March 2023 (£214m as at 31 March 2022) and actual debt was £262m as at 31 March 2023 (£263m as at 31 March 2022). The difference between the CFR and the actual debt is a temporary overborrowed position, pending the repayment of debt. During 2022/23 no new external loans were raised (£0m 2021/22). Details of the loans held by the Authority are shown in note 44 to the financial statements. The level of capital borrowing is within the Authority's 2022/23 Prudential Indicators that inform the Authority whether its capital investment plans are affordable, prudent and sustainable.

Investments held by the Authority total £450m as at 31 March 2023 (£352m 31 March 2022). 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.

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

The Statement of Accounts which follows sets out the Authority's income and expenditure for the year, and its financial positions as at 31 March 2023. 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 2022/23, which in turn is underpinned by International Financial Reporting Standards adapted for use in a public sector context. The Statement of Accounts consists of:

a. Movement in Reserves Statement:

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

b. Comprehensive Income and Expenditure Statement (CIES):

This financial statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with statutory regulations which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis note to the accounts, and the Movement in Reserves Statement. The CIES has two sections:

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

c. Balance Sheet:

The Balance Sheet shows the value as of 31st March 2023 of the assets and liabilities recognised by the Authority. It incorporates all the funds of the Authority, both capital and revenue, with the exception of the Pension Fund and Trust funds.

The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and

any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations'.

d. Cash Flow Statement:

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

e. Disclosure Notes:

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

f. Pension Fund:

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

10. Date of Authorisation of Accounts

The accounts were authorised for issue by the Director of Corporate Resources on the 24 May 2024. This was the last date when events after the Balance Sheet date have been considered.

D KEEGAN
DIRECTOR OF CORPORATE RESOURCES
24 MAY 2024

Movement In Reserves Statement

	General Fund Balance	Earmarked Reserves Balance	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	Note
	£m	£m	£m	£m	£m	£m	£m	£m	
Movement In Reserves During 2022/23									
Balance at 31 March 2022 Brought Forward	**29.3**	**224.5**	**253.8**	**0.2**	**0.7**	**254.6**	**189.8**	**444.4**	
Total Comprehensive Income and Expenditure	(54.9)	0.0	**(54.9)**	0.0	0.0	**(54.9)**	599.4	**544.6**	
Adjustments between accounting basis & funding basis under regulation	53.7	(2.2)	**51.5**	0.0	4.2	**55.7**	(55.7)	**0.0**	9
Increase/ (Decrease) in Year	(1.2)	(2.2)	**(3.4)**	0.0	4.2	**0.9**	543.7	**544.6**	
Balance at 31 March 2023 Carried Forward	**28.1**	**222.3**	**250.4**	**0.2**	**4.9**	**255.5**	**733.5**	**989.0**	
Movement In Reserves During 2021/22 (Restated)									
Balance at 31 March 2021 Brought Forward	**26.7**	**175.0**	**201.7**	**0.1**	**1.5**	**203.3**	**(77.9)**	**125.4**	
Prior period adjustment	0.0	0.0	0.0	0.0	0.0	0.0	(36.8)	(36.8)	
Restated Balance 1 April 2021	26.7	175.0	**201.7**	0.1	1.5	**203.3**	(114.7)	**88.6**	
Total Comprehensive Income and Expenditure	20.1	0.0	**20.1**	0.0	0.0	**20.1**	335.6	**355.7**	
Adjustments between accounting basis & funding basis under regulation	(17.6)	49.5	**31.9**	0.1	(0.8)	**31.2**	(31.2)	**0.0**	9
Increase/ (Decrease) in Year	2.6	49.5	**52.1**	0.1	(0.8)	**51.3**	304.4	**355.7**	
Balance at 31 March 2022 Carried Forward	**29.3**	**224.5**	**253.8**	**0.2**	**0.7**	**254.6**	**189.8**	**444.4**	

Comprehensive Income and Expenditure Statement

2021/22 (restated) Gross Expenditure £m	2021/22 (restated) Gross Income £m	2021/22 (restated) Net Expenditure £m		Note	2022/23 Gross Expenditure £m	2022/23 Gross Income £m	2022/23 Net Expenditure £m
			CONTINUING SERVICES				
299.7	(149.5)	150.2	Adults and Communities		309.7	(125.3)	184.5
22.9	(6.7)	16.2	Chief Executive's		27.3	(8.5)	18.7
370.0	(231.4)	138.6	Children and Family Services		402.8	(272.6)	130.3
102.0	(46.9)	55.1	Corporate Resources		109.6	(44.5)	65.1
127.2	(23.7)	103.5	Environment and Transport		144.5	(25.7)	118.8
39.0	(47.0)	(8.0)	Public Health		36.3	(35.8)	0.5
0.3	(3.4)	(3.1)	Central Items		0.0	(3.8)	(3.8)
961.1	**(508.7)**	**452.4**	**NET COST OF SERVICES**		**1,030.2**	**(516.1)**	**514.1**
0.3	(0.5)	(0.2)	Other Operating Expenditure (Excluding transfer of Academies)	12	0.3	(0.3)	0.0
3.5	0.0	3.5	Other Operating Expenditure (Transfer of Academies)	12	26.7	0.0	26.7
62.2	(37.4)	24.8	Financing and Investment Income and Expenditure	13	80.9	(57.2)	23.7
0.0	(500.6)	(500.6)	Taxation and Non-specific Grant Income	14	0.0	(509.7)	(509.7)
		(20.1)	**(SURPLUS) / DEFICIT ON PROVISION OF SERVICES**				**54.9**
			Items that will not be reclassified to the (surplus) or deficit on the provision of services:				
		(23.2)	Surplus on Revaluation of Property, Plant and Equipment	(note 16)			(19.6)
		(312.5)	Remeasurement of the Net Defined Benefit Liability/(Asset)	(note 15)			(579.8)
		(335.7)	**Total Items that Will Not Be Reclassified to the (Surplus) or Deficit on the Provision of Services**				**(599.4)**
		(355.8)	**TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE**				**(544.6)**

Balance Sheet

Restated 1 April 2021 £m	31 March 2022 £m		Note	31 March 2023 £m
405.9	406.3	Land and Buildings	16	404.1
9.9	13.8	Vehicles, Plant, Furniture & Equipment	16	13.9
428.1	439.5	Infrastructure Assets	17	446.1
11.3	11.3	Community Assets	16	11.3
65.1	70.0	Assets Under Construction	16	58.3
0.9	2.9	Surplus Assets	16	3.4
921.2	**943.8**	**Total Property, Plant and Equipment**		**937.1**
1.7	1.8	Investment Property	19	1.6
4.7	4.7	Heritage Assets	18	4.7
3.9	2.8	Intangible Assets	16	1.9
50.9	61.7	Long Term Investments	20	85.4
28.7	27.1	Long Term Debtors	22	26.3
1,011.1	**1,041.9**	**TOTAL NON-CURRENT ASSETS**		**1,057.0**
0.2	10.2	Assets Held for Sale	16	11.2
1.3	1.8	Inventories	21	1.8
139.7	126.1	Short Term Debtors	23	123.1
98.4	112.8	Cash and Cash Equivalents	24	71.1
210.2	290.5	Short Term Investments	20	364.8
449.8	**541.4**	**TOTAL CURRENT ASSETS**		**572.0**
(3.7)	(3.7)	Short Term Borrowing	20	(3.7)
(195.9)	(191.8)	Short Term Creditors	26	(188.4)
(12.5)	(8.5)	Short Term Capital Grants Receipts in Advance	36	(59.3)
(0.1)	(0.1)	Short Term Finance Lease Liabilities	40	(0.1)
(3.4)	(5.8)	Short Term Provisions	27	(6.8)
(215.6)	**(209.9)**	**TOTAL CURRENT LIABILITIES**		**(258.3)**
(265.3)	(264.8)	Long Term Borrowing	20	(264.3)
(1.0)	(1.0)	Long Term Finance Lease Liabilities	40	(0.9)
(7.2)	(7.0)	Long Term Creditors	25	(6.2)
(3.3)	(1.8)	Long Term Provisions	27	(1.7)
(835.6)	(576.4)	Net Pensions Liability	10	(34.6)
(44.3)	(78.0)	Long Term Capital Grants Receipts in Advance	36	(74.0)
(1,156.7)	**(929.0)**	**TOTAL NON-CURRENT LIABILITIES**		**(381.7)**
88.6	**444.4**	**NET ASSETS / (LIABILITIES)**		**989.0**
26.7	29.3	General Fund	11A	28.1
175.0	224.5	Earmarked Revenue Reserves	11	222.3
0.1	0.2	Capital Receipts Reserve		0.2
1.5	0.7	Capital Grants Unapplied		4.9
203.3	**254.7**	**TOTAL USABLE RESERVES**		**255.5**
192.4	202.5	Revaluation Reserve	10	215.0
558.5	600.5	Capital Adjustment Account	10	589.1
(4.2)	(4.0)	Financial Instruments Adjustment Account	10	(3.7)
(835.6)	(576.4)	Pension Reserve	10	(34.6)
(8.0)	(1.1)	Collection Fund Adjustment Account	10	1.8
(6.7)	(7.5)	Accumulated Absences Adjustment Account	10	(6.2)
0.0	0.0	Pooled Investment Funds Adjustment Account	10	2.2
(11.1)	(24.3)	Dedicated Schools Grant Adjustment Account	10	(30.2)
(114.7)	**189.7**	**TOTAL UNUSABLE RESERVES**		**733.5**
88.6	**444.4**	**TOTAL RESERVES**		**989.0**

Cash Flow Statement

2021/22 (restated) £m		Note	2022/23 £m
(20.1)	Net (surplus) or deficit on the provision of services	1	54.9
(136.7)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(155.0)
55.3	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	31.8
(101.5)	Net cash flows from Operating Activities		(68.3)
86.6	Net cash flows from Investing Activities	29	109.5
0.5	Net cash flows from Financing Activities	30	0.5
(14.4)	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**41.7**
(98.4)	**Cash and Cash Equivalents at the Beginning of the Reporting Period**	24	**(112.8)**
(112.8)	**Cash and Cash Equivalents at the End of the Reporting Period**	24	**(71.1)**

The notes to the financial statements are detailed on pages 13 – 80.

Notes to the Accounts

Note 1: Expenditure and Funding Analysis

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

Expenditure and Funding Analysis Statement 2022/23

Service Segment	As Reported to the Cabinet May 2023 £m	Adjustments to arrive at the net amount funded from General Fund[1] £m	Net Expenditure Chargeable to the General Fund £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m
Adults and Communities Department	189.5	(9.3)	180.2	4.3	184.5
Chief Executive's Department	15.8	1.5	17.3	1.4	18.7
Children and Family Services Department	97.7	6.6	104.3	25.9	130.3
Corporate Resources Department	41.2	3.0	44.2	20.9	65.1
Environment and Transport Department	90.1	5.5	95.6	23.2	118.8
Public Health Department	(1.4)	1.3	(0.1)	0.6	0.5
Central Items	47.1	(22.6)	24.5	(28.2)	(3.8)
Net Cost of Services	**480.0**	**(14.0)**	**466.0**	**48.1**	**514.1**
Other Income and Expenditure	(486.7)	24.0	(462.7)	3.4	(459.3)
(Surplus) or Deficit	**(6.7)**	**10.1**	**3.4**	**51.5**	**54.9**
Opening General Fund Balance					(253.8)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					3.4
Closing General Fund Balance					**(250.4)**

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

Expenditure and Funding Analysis Statement 2021/22 (restated)

Service Segment	As Reported to the Cabinet May 2022 £m	Adjustments to arrive at the net amount funded from General Fund £m	Net Expenditure Chargeable to the General Fund £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m
Adults and Communities Department	160.1	(18.6)	141.5	8.7	150.2
Chief Executive's Department	12.9	(0.1)	12.8	3.4	16.2
Children and Family Services Department	86.8	1.0	87.8	50.8	138.6
Corporate Resources Department	36.5	0.6	37.1	18.0	55.1
Environment and Transport Department	81.0	0.0	81.0	22.4	103.4
Public Health Department	(1.3)	(7.7)	(9.0)	1.0	(8.0)
Central Items	34.8	(15.1)	19.7	(22.8)	(3.1)
Net Cost of Services	**410.8**	**(39.9)**	**370.9**	**81.5**	**452.4**
Other Income and Expenditure	(418.7)	(4.3)	(423.0)	(49.5)	(472.5)
(Surplus) or Deficit	**(7.9)**	**(44.2)**	**(52.1)**	**31.9**	**(20.1)**
Opening General Fund Balance					(201.7)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					(52.1)
Closing General Fund Balance					**(253.8)**

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 2022/23

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				
Adults & Communities Department	1.6	3.1	(0.4)	4.3
Chief Executive's Department	0.1	1.5	(0.1)	1.4
Children and Family Services Department	11.9	8.1	6.0	25.9
Corporate Resource Department	15.8	5.6	(0.5)	20.9
Environment & Transport Department	20.2	3.3	(0.3)	23.2
Public Health Department	0.0	0.7	0.0	0.6
Central Items	(28.2)	(0.1)	0.0	(28.2)
Net Cost of Services	**21.3**	**22.2**	**4.6**	**48.1**
Other Income and Expenditure from the Expenditure and Funding Analysis	(10.3)	15.9	(2.2)	3.4
Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services	**11.1**	**38.0**	**2.4**	**51.5**

Adjustments Between Funding and Accounting Basis 2021/22 – (restated)

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				
Adults & Communities Department	2.2	6.5	0.0	8.7
Chief Executive's Department	1.3	2.1	0.0	3.4
Children and Family Services Department	23.8	13.2	13.9	50.8
Corporate Resource Department	9.9	8.1	0.0	18.0
Environment & Transport Department	17.0	5.4	0.0	22.4
Public Health Department	0.0	0.9	0.0	0.9
Central Items	(22.8)	0.0	0.0	(22.8)
Net Cost of Services	**31.3**	**36.2**	**13.9**	**81.5**
Other Income and Expenditure from the Expenditure and Funding Analysis	(67.5)	17.1	0.9	(49.5)
Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services	**(36.2)**	**53.3**	**14.9**	**31.9**

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:

2021/22 Income from Services £m	Service Segment	2022/23 Income from Services £m
(149.5)	Adults and Communities Department	(125.3)
(6.8)	Chief Executive's Department	(8.5)
(231.4)	Children and Family Services Department	(272.6)
(46.9)	Corporate Resources Department	(44.5)
(23.7)	Environment and Transport Department	(25.7)
(47.0)	Public Health Department	(35.8)
(3.4)	Central items	(3.8)
(508.7)	**Total Income Analysed on a Segmental Basis**	**(516.1)**

Note 2: Expenditure and Funding Analysis (b)

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

Restated[1] 2021/22 £m		2022/23 £m
	Expenditure	
322.1	Employee Benefits Expenses	338.4
54.8	IAS 19 and Other Pension Cost Adjustments	39.5
547.8	Other Service Expenses	619.4
50.5	Depreciation, amortisation and impairment	52.1
14.2	Interest Payments	14.3
0.3	Precepts and Levies	0.3
3.0	Loss on Disposal of Non-Current Assets	26.4
992.8	**Total Expenditure**	**1,090.4**
	Income	
(184.4)	Fees, Charges and Other Income	(173.1)
(3.6)	Interest and Investment Income	(10.1)
(410.0)	Council Tax and NNDR	(444.3)
(414.9)	Government Grants and Contributions	(408.0)
1,012.9	**Total Income**	**(1,035.5)**
(20.1)	**(Surplus) or Deficit on Provision of Services**	**54.9**

[1] the Other service expenses row has been increased by £14m (and the Depreciation, amortisation and impairment row reduced by £14m), to correct the disdosure of Reffcus expenditure.

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:

- Definition of Accounting Estimates (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Updated to reference to the 2018 Conceptual Framework (Amendments to IFRS 3).

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

Note 4: Critical Judgements in Applying Accounting Policies

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

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

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

The items in the Authority's Balance Sheet at 31 March 2023 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	Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2023 for over 50% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of Property, Plant and Equipment at 31 March 2023 is £937m.	The net book value of non-current assets subject to potential revaluation is £404m. A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement and or Revaluation reserve of approximately £40m
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 net Pension Liability at 31 March 2023 is £35m.	The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £28m. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by £66m. However, the assumptions interact in complex ways. During 2022/23, the Authority's Actuary advised that the net pension liability had increased by £245m as a result of estimates being corrected as a result of experience and decreased by £839m attributable to updating of the assumptions.

Note 6: Material Items of Income and Expense

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

Note 7: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 24 May 2024. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 8: Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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. 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.

Property, Plant and Equipment

A prior period adjustment of £40m (31 March 2022) has been made to correct the valuations of maintained school assets and to remove assets held at historic cost. During the 2022/23 audit it was identified that school valuations undertaken by the Councils external valuers were overstated. Non-school building areas were incorrectly valued at the same rate as the building areas – which attract a higher valuation. Further investigation identified that the overstatement originated in 2019/20. All school valuations since 2019/20 have now been updated resulting in a reduction in the value of school land of £22m and a reduction of £8m in the value of school buildings.
Separately, the Council has also reviewed assets held at historic cost. This has identified that some of these assets were no longer owned by the Council and needed removing from the fixed asset register and some needed to be revalued down. These adjustments amounted to £10m of the adjustment made.

The values of these assets are deemed material and so a prior period adjustment has been applied to the accounts. The overall effect of the prior period adjustment is as follows:
Balance Sheet: Closing balance of Land and Buildings has reduced by £36.7m in 2020/21 and £40.1m in 2021/22.
Balance Sheet: Closing balance of Unusable Reserves has reduced by £36.7m in 2020/21 and £40.1m in 2021/22.
CI&ES: The Net Cost of Services in 2021/22 has decreased by £0.5m for Children and Family Services.
CI&ES: Surplus on revaluation of Property, Plant and Equipment in 2021/22 has decreased by £3.8m.
MIRS: Unusable reserves as at 31 March 2022 have decreased by £40.1m
MIRS: Total authority reserves as at 31 March 2022 have decreased by £40.1m
Cashflow: The net surplus on the Provision of Services has increased by £0.5m during 2021/22
Cashflow: The adjustments to net (surplus) or deficit on the Provision of Services for non-cash movements has increased by £0.5m during 2021/22.

The following tables show the adjustments made.

Restated Balance Sheet	Previous Balance 31 March 21 £m	Asset Revaluations (Note 17) £m	Restated Balance 1 April 2021 £m	Previous Balance 31 March 22 £m	Asset Revaluations (Note 17) £m	Restated Balance 31 March 22 £m
Property, Plant & Equipment	957.9	(36.7)	921.2	983.9	(40.1)	943.8
Net Assets	**125.3**	**(36.7)**	**88.6**	**484.5**	**(40.1)**	**444.4**
Unusable Reserves	(78.0)	(36.7)	(114.7)	229.8	(40.1)	189.7
Total Reserves	**125.3**	**(36.7)**	**88.6**	**484.5**	**(40.1)**	**444.4**

Restated CIES	Previous Balance Net Expenditure 31 March 22 £m	Asset Revaluations (Note 17) £m	Restated Balance Net Expenditure 31 March 22 £m
Children & Family Services Net Expenditure	139.1	(0.5)	138.6
Net Cost of Services	**452.9**	**(0.5)**	**452.4**
(Surplus) / Deficit on Provision of Services	**(19.6)**	**(0.5)**	**(20.1)**

Surplus on Revaluation of Property, Plant & Equipment	(27.0)	3.8	(23.2)
Total Items that will not be reclassified to the (surplus) or deficit on the Provision of Services	(339.5)	3.8	(335.7)
Total Comprehensive (Income) and Expenditure	**(359.1)**	**3.3**	**(355.8)**

Restated MIRS	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
Balance as at 31 March 2021	203.3	(77.9)	125.4
Prior Period Adjustment (Note 8)	0	(36.8)	(36.8)
Restated as at 1 April 2021	**203.3**	**(114.7)**	**88.6**
Total Comprehensive Income and Expenditure	19.6	339.5	359.1
Prior Period Adjustment (Note 8)	0.5	(3.9)	(3.3)
Restated Comprehensive Income and Expenditure as at 31 March 22	**20.1**	**335.6**	**355.7**
Adjustments between accounting basis and funding basis under regulation (Note 8)	31.7	(31.7)	0
Prior Period Adjustment (Note 8)	(0.5)	0.5	0
Restated Adjustments between accounting basis and funding basis under regulation (Note 8) as at 31 March 2022	**31.2**	**(31.2)**	**0**
Increase / (Decrease) in Year	**51.3**	**304.4**	**355.7**
Restated Balance at 31 March 2022 carried forward	**254.6**	**189.8**	**444.4**

Restated Cashflow	Previous Balance 31 March 22 £m	Asset Revaluations (Note 17) £m	Restated Balance 31 March 22 £m
Net (surplus) or deficit on the provision of services	(19.6)	(0.5)	(20.1)
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(137.2)	0.5	(136.7)
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	55.3	0.0	55.3
Net cash flows from Operating Activities	**(101.5)**	**0.0**	**(101.5)**

The primary statements and notes to the accounts have been updated for these changes.

Financial Instruments – Note 20

A prior period adjustment has been made to Note 20 to the accounts. The values reported for debtors and creditors have been updated to exclude payments in advance and receipts in advance, respectively, that had been included in error. The adjustments made are reported below. Note 20 to the accounts has been updated for these changes.

	31 March 2022 Long Term £m	Adjustment £m	Revised 31 March 2022 Long Term £m	31 March 2022 Current £m	Adjustment £m	Revised 31 March 2022 Current £m
Debtors	27.1	0.0	27.1	105.0	(21.1)	83.9
Total Financial Assets	**88.8**	**0.0**	**88.8**	**508.3**	**(21.1)**	**487.2**
Creditors	85.0	(78.0)	7.0	177.6	**(32.1)**	**145.5**
Total Financial Liabilities	**351.0**	**(78.0)**	**273.0**	**181.3**	**(32.1)**	**149.2**

Note 9: 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.

	Usable Reserves			
2022/23	**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	38.0			38.0
Financial Instruments	(0.2)			(0.2)
Council Tax and NDR	(2.9)			(2.9)
Accumulated Absences	(1.3)			(1.3)
Pooled Investment Funds	(2.2)			(2.2)
Transferred to DSG Adjustment Account	5.9			5.9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	85.1		4.2	89.3
Total Adjustments to Revenue Resources	**122.4**	**0.0**	**4.2**	**126.6**
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(1.1)	1.1		0.0
Statutory provision for the repayment of debt (MRP)	(6.2)			(6.2)
Principal repayments of transferred Debt	1.4			1.4
Capital expenditure financed from revenue balances	(25.8)			(25.8)
Total Adjustments between Revenue and Capital Resources	**(31.7)**	**1.1**	**0.0**	**(30.6)**
Use of the Capital Receipts Reserve to finance capital expenditure		(1.1)		(1.1)
Application of capital grants to finance capital expenditure	(39.1)			(39.1)
Total Adjustments to Capital Resources	**(39.1)**	**(1.1)**	**0.0**	**(40.2)**
Total Adjustments	**51.5**	**0.0**	**4.2**	**55.7**

2021/22 (restated)	Usable Reserves			
	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	53.3			53.3
Financial Instruments	(0.3)			(0.3)
Council Tax and NDR	(6.9)			(6.9)
Accumulated Absences	0.8			0.8
Transferred to DSG Adjustment Account	13.2			13.2
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	60.5		(0.8)	59.7
Total Adjustments to Revenue Resources	**120.6**		**(0.8)**	**119.8**
Adjustments between Revenue and Capital Resources				
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(7.2)	7.2		0.0
Statutory provision for the repayment of debt (MRP)	(18.2)			(18.2)
Principal repayments of transferred Debt & Local Authority Mortgage Scheme (LAMS)	1.4			1.4
Capital expenditure financed from revenue balances	(5.9)			(5.9)
Total Adjustments between Revenue and Capital Resources	**(29.9)**	**7.2**		**(22.8)**
Adjustments to Capital Resources				
Use of the Capital Receipts Reserve to finance capital expenditure		(7.1)		(7.1)
Application of capital grants to finance capital expenditure	(58.7)			(58.7)
Total Adjustments to Capital Resources	**(58.7)**	**(7.1)**		**(65.8)**
Total Adjustments	**31.9**	**0.1**	**(0.8)**	**31.2**

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.

(Restated) 2021/22 £m		2022/23 £m
215.0	**Balance at 1 April**	**202.5**
(22.6)	Prior Period Adjustment (Note 8)	0.0
192.4	**Restated balance 1 April**	**202.5**
(1.8)	Adjustment between Revaluation Reserve and Capital Adjustment Account[1]	0.0
41.3	Upward revaluation of assets	51.0
(18.1)	Downward revaluation of assets losses not charged to the Surplus or (Deficit) on the Provision of Services	(31.4)
(7.5)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2.4)
(3.7)	Difference between fair value depreciation and historical cost depreciation	(4.7)
202.5	**Balance at 31 March**	**215.0**

[1] Correction of past revaluation reserve and capital adjustment account balances to the fixed asset register

Capital Adjustment Account

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

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

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

(Restated) 2021/22 £m		2022/23 £m
572.6	**Balance at 1 April**	**600.5**
(14.1)	Prior Period Adjustment (Note 8)	0.0
558.5	**Restated balance 1 April**	**600.5**
1.8	Adjustment between Revaluation Reserve and Capital Adjustment Account[1]	0.0
	Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure:	
(36.8)	Charges for depreciation of non-current assets	(26.5)
(9.0)	Revaluation losses on Property, Plant and Equipment	(20.0)
(1.1)	Amortisation of intangible assets	(0.9)
(3.6)	Revenue expenditure funded from capital under statute	(0.1)
(13.9)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(32.2)
496.1		520.8
11.3	Adjusting amounts written out of the revaluation reserve	7.1
507.4	Net written out amount of the costs of non-current assets consumed in year	527.9
	Capital financing applied in year:	
7.1	Use of the Capital Receipts Reserve to finance new capital expenditure	1.1
58.8	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34.9
0.8	Application of grants to capital financing from the Capital Grants Unapplied Account	0.0
18.2	Statutory provision for the financing of capital investment charged against the General Fund Balance	6.2
3.7	Fair value profit and (loss) valuations	(5.4)
(1.4)	Principal Repayments of transferred Debt	(1.4)
6.0	Capital expenditure charged against the General Fund Balance	25.8
0.0	Movements in the Fair Value of Investment Properties	0.0
600.5	**Balance at 31 March**	**589.1**

[1] Correction of past revaluation reserve and capital adjustment account balances to the fixed asset register

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.

2021/22 £m		2022/23 £m
(4.2)	**Balance at 1 April**	**(4.0)**
	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:	
0.4	Annual write down of premiums paid on rescheduled debt	0.4
(0.2)	Annual write down of discounts received on rescheduled debt	(0.1)
(4.0)	**Balance at 31 March**	**(3.7)**

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.

2021/22 £m		2022/23 £m
(835.6)	**Balance at 1 April**	**(576.4)**
312.8	Remeasurements of the net defined benefit liability	579.8
(101.2)	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(91.0)
47.6	Employer's pensions contributions and direct payments to pensioners payable in the year	53.0
(576.4)	**Balance at 31 March**	**(34.6)**

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).

2021/22 £m		2022/23 £m
(8.0)	**Balance at 1 April**	**(1.1)**
6.9	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.	2.9
(1.1)	**Balance at 31 March**	**1.8**

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.

2021/22 £m		2022/23 £m
(6.7)	**Balance at 1 April**	**(7.5)**
6.7	Settlement or cancellation of accrual made at the end of the preceding year	7.5
(7.5)	Amounts accrued at the end of the current year	(6.2)
(0.8)	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	1.4
(7.5)	**Balance at 31 March**	**(6.2)**

Pooled Investment Funds Adjustment Account

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

2021/22 £m		2022/23 £m
0.0	**Balance at 1 April**	**0.0**
0.0	Fair value movements transferred to/from the General Fund in accordance with the statutory regulations	2.2
0.0	**Balance at 31 March**	**2.2**

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Financing and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

2021/22 £m		2022/23 £m
(11.1)	**Balance at 1 April**	**(24.3)**
(13.2)	School budget deficit transferred from General Fund in accordance with statutory requirements	(5.9)
(24.3)	**Balance at 31 March**	**(30.2)**

Note 11A: General Fund Balance

The balance of the fund includes the following sums:

2021/22 £m		2022/23 £m
11.3	Delegated Funding for Schools	9.1
0.0	Carry forward of underspend across other services	0.0
11.3	**Earmarked Reserves as at 31 March**	**9.1**
18.0	Uncommitted balance	19.0
29.3	**Balance at 31 March**	**28.1**

Note 11: Movements in Earmarked Revenue Reserves

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

	Balance at 31 March 2021 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2022 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2023 £m
Insurance	13.8	1.9	0.0	15.7	1.3	(1.2)	15.9
Renewals of Vehicles & Equipment	4.2	0.6	(0.8)	4.0	1.1	(3.1)	2.0
Children & Family Services							
- C&FS Developments	1.0	1.7	(0.6)	2.1	3.0	(2.2)	2.8
Adults & Communities							
- A&C Developments	5.6	0.5	(3.8)	2.3	0.2	(0.8)	1.8
- Health & Social Care Outcomes	8.9	9.0	(3.0)	14.9	2.7	(4.5)	13.1
Public Health							
- General	1.8	9.7	(0.2)	11.3	0.0	(2.8)	8.4
- Active Together	1.4	0.0	0.0	1.4	0.1	(0.0)	1.5
Environment & Transport							
- Commuted Sums	3.1	0.8	(0.6)	3.3	0.6	(1.2)	2.7
- LLITM	2.1	0.0	(0.5)	1.6	0.5	(0.8)	1.3
Corporate							
- Capital Financing	64.4	58.2	(11.7)	110.9	28.7	(28.3)	111.3
- Transformation Fund	9.2	1.9	(3.6)	7.5	5.0	(3.3)	9.3
- Broadband	2.4	0.5	(0.5)	2.4	0.0	(0.3)	2.1
- Business Rates Retention	8.1	3.3	(7.5)	3.9	0.0	(3.3)	0.6
- Budget Equalisation	24.0	7.9	0.0	31.9	25.8	(18.3)	39.5
- Carbon Neutral Investment Fund	0.0	2.0	0.0	2.0	0.0	(0.0)	2.0
Other (reserves below £1m at 31 March 23)	25.0	9.0	(24.7)	9.3	2.3	(3.5)	8.1
TOTAL	**175.0**	**107.0**	**(57.5)**	**224.5**	**71.3**	**(73.5)**	**222.3**

The following are the main reserves held by the Authority, as at 31st March 2023:

Insurance - the insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding liabilities, unsettled at 31 March 2023, and a reserve to meet future claims.

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

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

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

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.

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

Note 12: Other Operating Expenditure

2021/22 £m		2022/23 £m
0.3	Flood Defence Levies	0.3
(0.5)	(Gains)/losses on the disposal of non-current assets (Excluding Academies)	(0.3)
3.5	(Gains)/losses on the disposal of Academies	26.7
3.3	**Total**	**26.7**

Note 13: Financing and Investment Income and Expenditure

2021/22 £m		2022/23 £m
14.0	Interest payable and similar charges	14.0
17.1	Net Pensions interest cost and expected return on pensions assets	15.8
(3.6)	Interest receivable and similar income	(10.1)
0.0	Income & Expenditure in relation to investment properties and changes in their fair value	0.0
(2.8)	Gains/losses on financial instruments classified as fair value through profit or loss	3.7
0.1	Other investment income & Expenditure	0.3
24.8	**Total**	**23.7**

Note 14: Taxation and Non-Specific Grant Incomes

2021/22 £m		2022/23 £m
(339.4)	Council tax income	(354.3)
(70.6)	Non-domestic rates	(90.0)
(32.0)	Non ring-fenced government grants	(26.2)
(58.7)	Capital grants and contributions	(39.2)
(500.6)	**Total**	**(509.7)**

Note 15: Pensions Revenue Costs

a) Local Government Pension Scheme – A defined benefit scheme

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

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

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

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

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

The IAS 19 balance sheet net pension deficit as at 31st March 2023 has decreased since the previous year. The discount rate used in the valuation increased (in line with AA rated corporate bond yields) from 2.7% to 4.8%, which had the impact of decreasing the present value of future liabilities. Overall the net pension liability decreased to £35m (31 March 2022, £576m).

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

2021/22 £m		2022/23 £m
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
84.7	Current service cost	81.5
0.1	Past service costs	0.3
(0.7)	Settlements and Curtailments	(6.6)
	Financing and Investment Income and Expenditure:	
17.1	Net Interest expense	15.8
101.2	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**91.0**

	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(144.8)	Return on planned assets (excluding the amount included in the net interest expense)	65.8
(12.5)	Actuarial gains/losses arising from changes in demographic assumptions	
(156.7)	Actuarial gains/losses arising from changes in financial assumptions	(14.2)
1.7	Other	(824.3)
		192.8
(211.1)	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**(488.9)**
	Movements in Reserves Statement	
101.2	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	91.0
	Actual amount charged against the General Fund Balance for Pensions in the year	
(45.2)	Employers contributions payable to scheme	(50.3)
(2.8)	Unfunded benefits	(2.7)
53.2	Total amount charged against the General Fund Balance for Pensions in the year	**38.0**

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 2023 was a loss of £35m and at 31 March 2022 was a loss of £576m.

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

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

2021/22 £m		2022/23 £m
1,506.9	**As at 1 April**	**1,680.8**
30.1	Interest Income	45.3
	Remeasurement gain/(loss):	
144.8	Return on plan assets	(65.8)
0.0	Other experience	(25.1)
44.7	Employer contributions	50.3
10.5	Contributions by scheme participants	11.0
(58.5)	Benefits paid	(60.1)
2.9	Contributions in respect of unfunded benefits	2.9
(0.6)	(Losses) / Gains on settlements	(5.8)
0.0	Asset ceiling adjustment	(14.2)
1,680.8	**As at 31 March**	**1,619.2**

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

2021/22 £m		2022/23 £m
(2,293.9)	Present value of funded obligations	(2,214.9)
	Present value of unfunded obligations:	
(10.4)	- Local government pension scheme	(9,2)
(38.1)	- Teachers scheme	(33.1)
(2,342.4)	**As at 1 April**	**(2,257.2)**
(84.7)	Current service cost	(81.6)
(47.2)	Interest Cost	(61.2)
(10.5)	Contributions by scheme participants	(11.0)
	Remeasurement (gains) and losses:	
12.5	Changes in demographic assumptions	14.2
156.7	Changes in financial assumptions	824.3
(1.3)	Other experience	(153.7)
	Past service costs:	
(0.1)	(Losses) / Gains on curtailments	(0.1)
58.5	Benefits paid	60.1
1.3	Liabilities extinguished on settlements	12.4
(2,257.2)	**As at 31 March**	**(1,653.8)**
(2,214.9)	Present value of funded obligations	(1,619.3)
	Present value of unfunded obligations:	
(9,2)	Local government pension scheme	(7.7)
(33.1)	Teachers scheme	(26.8)

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

In 2022/23, the local government pension scheme (LGPS) has net assets of £14.2m due to changes in the financial assumptions and in particular the increase in the discount rate used. In accordance with proper accounting practice, an asset ceiling calculation has been undertaken which shows that the net asset cannot be realised. As a result, the Councils net assets (and the net pension liability) is reduced by £14.2m.

Local Government Pension Scheme assets comprised:

2021/22			2022/23	
£m	% of total assets		£m	% of total assets
		Equity Securities:		
14.0	1%	Other	5.1	0%
		Debt Securities:		
84.4	5%	UK Government	75.2	5%
3.1	0%	Other	6.9	0%
112.4	7%	Private Equity	111.8	7%
		Real Estate:		
129.3	8%	UK Property	115.8	7%
		Investment Funds and Unit		

		Trusts:		
773.9	46%	Equities	715.2	44%
0.0	0%	Bonds	0.0	0%
0.0	0%	Hedge Funds	0.0	0%
42.2	3%	Commodities	42.0	3%
87.9	5%	Infrastructure	133.6	8%
345.2	20%	Other	390.2	24%
		Derivatives		
		Interest rate		
3.5	0%	Foreign Exchange	1.0	0%
84.9	5%	Cash and Cash Equivalents	36.7	2%
1,680.8	**100%**	**As at 31 March**	**1,633.5**	**100%**

The scheme history of the pension fund is as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Present value of liabilities:	(2,043.9)	(1,813.7)	(2,342.4)	(2,257.2)	(1,653.8)
Fair value of assets:	1,302.2	1,207.1	1,506.9	1,680.8	1,633.5
Asset Ceiling Adjustment	0.0	0.0	0.0	0.0	(14.2)
Surplus / (Deficit)	**(741.7)**	**(606.6)**	**(835.5)**	**(576.4)**	**(34.6)**

The liability shows the underlying commitment that the Authority has in the long run to pay post-employment (retirement) benefits. This total liability of £35m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit will result in the deficit being made good by increased contributions by the employer, over the remaining working life of employees, as assessed by the actuary.

Basis for estimating assets and liabilities

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

The principal assumptions used by the actuary have been:

31 March 2022		31 March 2023
	Mortality assumptions (in years):	
	Longevity at 65 for current pensioners:	
21.5	▪ Men	21.5
24.0	▪ Women	24.3
	Longevity at 65 for future pensioners:	
22.4	▪ Men	22.2
25.7	▪ Women	25.7

3.7%	Rate of inflation	3.5%
3.7%	Rate of increases in salaries	3.5%
3.2%	Rate of increase in pensions	3.0%
2.7%	Rate for discounting scheme liabilities	4.8%
	Proportion of employees opting to commute part of their annual pension to a retirement lump sum:	
50%	Pre April 2008 Service	55%
75%	Post April 2008 Service	55%

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

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 2023:

	Approximate % Increase in Employer Liability	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate	2%	27.5
1 year increase in member life expectancy	4%	66.2
0.1% increase in the Salary Increase Rate	0%	2.8
0.1% increase in the Pension Increase Rate	2%	25.2

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

Pension Fund Risk Management Strategy

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

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

Impact on the Authority's Cash Flows

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

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

The authority anticipates to pay £52.0m expected contributions to the scheme in 2023/24. The weighted average duration of the defined benefit obligation for scheme members is 17 years, (2021/22, 19 Years).

c) Teachers and Lecturers

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

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

In 2022/23 the Authority paid £10.5m (2021/22 £10.7m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.7% (2021/22 23.7%) of teachers' pensionable pay. This is also the amount recognised as an expense in the Comprehensive Income and Expenditure Statement with regards to this scheme. In addition, the Authority is responsible for all pension payments relating to pension enhancements for added years' service it has awarded, together with the related increases. In 2022/23 these amounted to £1.9m (2021/22 £1.9m), representing 4.6% (2021/22 4.8%) of pensionable pay.

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

d) Public Health

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

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

In 2022/23 the Authority paid £0.1m to the NHS pension scheme (£0.1m in 2021/22) in respect of public health staff. This amount is recognised as an expense in the CIES under the Public Health services line.

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

	Land and Buildings*	Vehicles Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m
Gross Carrying Amount as at 31 March 2022	**419.8**	**33.7**	**11.3**	**70.0**	**2.9**	**537.7**	**7.4**	**10.2**
Additions	9.9	4.1	0.0	15.5	0.0	**29.4**	0.0	0.0
Capital Expenditure Not Adding Value	(3.4)	(0.3)	0.0	0.0	0.0	**(3.7)**	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	18.6	0.0	0.0	0.0	0.2	**18.8**	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(21.3)	0.0	0.0	0.0	0.0	**(21.3)**	0.0	0.0
Disposals	(28.3)	(5.5)	0.0	0.0	0.0	**(33.8)**	0.0	0.0
Asset Reclassifications	25.5	0.2	0.0	(27.2)	0.3	**(1.2)**	0.0	1.0
Gross Carrying Amount as at 31 March 2023	**420.7**	**32.2**	**11.3**	**58.3**	**3.4**	**525.9**	**7.4**	**11.2**
Accumulated Depreciation as at 1 April 2022	**(13.5)**	**(19.8)**	**0.0**	**0.0**	**0.0**	**(33.3)**	**(4.6)**	**0.0**
Depreciation	(9.9)	(4.0)	0.0	0.0	0.0	**(13.9)**	(0.9)	0.0
Depreciation written out to the Revaluation Reserve	0.7	0.0	0.0	0.0	0.0	**0.7**	0.0	0.0
Depreciation written out to the Surplus/ Deficit	1.3	0.0	0.0	0.0	0.0	**1.3**	0.0	0.0
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	3.5	0.0	0.0	0.0	0.0	**3.5**	0.0	0.0
Derecognition Depreciation	1.3	5.5	0.0	0.0	0.0	**6.8**	0.0	(0.1)
Accumulated Depreciation as at 31 March 2023	**(16.6)**	**(18.3)**	**0.0**	**0.0**	**0.0**	**(34.9)**	**(5.5)**	**(0.1)**
Net Book Value as at 31 March 2023	**404.1**	**13.9**	**11.3**	**58.3**	**3.4**	**491.0**	**1.9**	**11.1**

*Includes Travellers' Sites valuation of £1.8m not shown under Council Dwellings due to materiality.

	Land and Buildings*	Vehicles Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m
Gross Carrying Amount as at 31 March 2021	**456.7**	**26.9**	**11.3**	**65.1**	**0.9**	**560.9**	**7.4**	**0.2**
Prior period adjustment (Note 8)	-36.8	0.0	0.0	0.0	0.0	**-36.8**	0.0	0.0
Restated Gross Carrying Amount as at 1 April 2021	419.9	26.9	11.3	65.1	0.9	**524.1**	7.4	0.2
Additions	5.9	6.7	0.0	34.5	0.0	**47.1**	0.0	0.0
Capital Expenditure Not Adding Value	(14.1)	(0.2)	0.0	0.0	0.0	**(14.3)**	0.0	0.0
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	19.2	0.0	0.0	0.0	2.0	**21.2**	0.0	0.0
Revaluation Increases/(Decreases) recognised in the Surplus/Deficit	(11.5)	0.0	0.0	0.0	0.0	**(11.5)**	0.0	0.0
Disposals	(14.7)	0.0	0.0	0.0	0.0	**(14.7)**	0.0	(0.2)
Asset Reclassifications	15.1	0.2	0.0	(29.6)	0.0	**(14.3)**	0.0	10.2
Gross Carrying Amount as at 31 March 2022	**419.8**	**33.6**	**11.3**	**70.0**	**2.9**	**537.6**	**7.4**	**10.2**
Accumulated Depreciation as at 1 April 2021	**(14.1)**	**(17.0)**	**0.0**	**0.0**	**0.0**	**(31.1)**	**(3.6)**	**0.0**
Depreciation	(8.6)	(2.8)	0.0	0.0	0.0	**(11.4)**	(1.0)	0.0
Depreciation written out to the Revaluation Reserve	2.1	0.0	0.0	0.0	0.0	**2.1**	0.0	0.0
Depreciation written out to the Surplus/Deficit	0.7	0.0	0.0	0.0	0.0	**0.7**	0.0	0.0
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	6.1	0.0	0.0	0.0	0.0	**6.1**	0.0	0.0
Derecognition Depreciation	0.3	0.0	0.0	0.0	0.0	**0.3**	0.0	0.0
Accumulated Depreciation as at 31 March 2022	**(13.5)**	**(19.8)**	**0.0**	**0.0**	**0.0**	**(33.3)**	**(4.6)**	**0.0**
Net Book Value as at 31 March 2022	**406.3**	**13.8**	**11.3**	**70.0**	**2.9**	**504.3**	**2.8**	**10.2**

*Includes Travellers' Sites valuation of £1.8m not shown under Council Dwellings due to materiality.

Capital Commitments

As of 31 March 2023, the Authority has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £16.1m (commitments at 31 March 2022, £12.7m). The following table outlines the major contracts:

Major Contracts	£m
Old Dalby Primary School	1.4
Melton John Fernley Secondary School	3.6
Castle Donington Secondary School	2.4
Foxfields School SEND - Expansion	3.5
Melton Mowbray Distributor Road – North East	4.4

Revaluations

The Authority carries out a rolling programme that ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out by Internal valuers and an external firm of valuers, Bruton Knowles LLP, who are both 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.

	Land and Buildings £m	Surplus Assets £m	Total £m
Carried at Historical Cost:	7.6	0.0	7.6
Valued at Fair Value as at:			
31 March 2023	295.6	3.1	298.7
31 March 2022	39.2	0.0	39.2
31 March 2021	15.6	0.0	15.6
31 March 2020	18.7	0.3	19.0
31 March 2019	27.4	0.0	27.4
Total Cost or Valuation	**404.1**	**3.4**	**407.5**

Non-Current Intangible Assets

The Authority has non-current intangible assets of £1.9m (£2.8m 2021/22). This includes ICT software licences required to support and safeguard the ICT systems operated by the Authority.

Fair Value Hierarchy

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

	Level 1 *Quoted Prices in Active Markets for Identical Assets* £m	Level 2 *Other Significant Observable Inputs* £m	Level 3 *Significant Unobservable Inputs* £m
Total - Surplus Properties 2021/22	**0.0**	**2.9**	**0.0**
Total - Surplus Properties 2022/23	**0.0**	**3.4**	**0.0**

Note 17: Highway Infrastructure Assets

Movements on balances

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

	2021/22 £m	2022/23 £m
Net Book Value (modified historical cost) at 1 April	**428.1**	**439.5**
Additions	21.8	23.5
Depreciation	(14.6)	(17.0)
Impairment	0.0	0.0
Disposals	0.0	0.0
Asset Reclassifications	4.2	0.1
Net book Value at 31 March	**439.5**	**446.1**

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

Note 18: Heritage Assets

	Historic Buildings £m	Museum Art Collection £m	Art Works Collection £m	Archaeo-logical Collection £m	Fashion Collection £m	Working Life Collection £m	Civic Collection £m	Total £m
Net book value as at 31 March 2022	**0.4**	**0.7**	**2.5**	**0.4**	**0.1**	**0.4**	**0.2**	**4.7**
Additions	0.0	0.0	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	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	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	0.0	**0.0**
Net Book Value as at 31 March 2023	**0.4**	**0.7**	**2.5**	**0.4**	**0.1**	**0.4**	**0.2**	**4.7**

Net book value as at 31 March 2021	0.4	0.7	2.5	0.4	0.1	0.4	0.2	4.7
Additions	0.0	0.0	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	0.0	**0.0**
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	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	0.0	**0.0**
Net Book Value as at 31 March 2022	**0.4**	**0.7**	**2.5**	**0.4**	**0.1**	**0.4**	**0.2**	**4.7**

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

Heritage Asset Collections:

Historic Buildings

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

The Museum Art Collection

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

The Artworks Collection

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

The Archaeological Collection

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

The Fashion Collection

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

donated to the Authority's Museums Service in 1980 and tells the story of the Company over a period of one hundred and thirty years. It includes garments and supporting advertising material, which provide an insight into the development of corsetry, foundation garments and swimwear from the late 19th century through to the beginning of the 1990s.

The Working Life Collection

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

The Civic Collection

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

Note 19: Investment Property

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

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

2021/22 £m		2022/23 £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:

2021/22 £m		2022/23 £m
1.7	**Opening Balance as at 1st April**	**1.8**
0.0	Additions – Purchases	0.0
0.0	Additions – Construction	0.0
0.0	Additions - Subsequent Expenditure	0.0
0.0	Disposals	(0.2)
0.1	Gain/Loss From Fair Value Adjustments	0.0
	Transfers:	
0.0	(To)/From Inventory	0.0
0.0	(To)/From Property, Plant & Equipment	0.0
1.8	**Closing Balance as at 31st March**	**1.6**

As of 31st March 2022 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 47 provides details of fair value and the input level hierarchy as specified by IFRS 13.

	2022/23		
	£m	£m	£m
Investment Properties	**Level 1** *Quoted Prices in Active Markets for Identical Assets*	**Level 2** *Other Significant Observable Inputs*	**Level 3** *Significant Unobservable Inputs*
Commercial	0.0	0.6	0.0
Community	0.0	0.8	0.0
Residential	0.0	0.2	0.0
Total	**0.0**	**1.6**	**0.0**

	2021/22		
	£m	£m	£m
Investment Properties	**Level 1** *Quoted Prices in Active Markets for Identical Assets*	**Level 2** *Other Significant Observable Inputs*	**Level 3** *Significant Unobservable Inputs*
Commercial	0.0	0.6	0.0
Community	0.0	0.8	0.0
Residential	0.0	0.4	0.0
Total	**0.0**	**1.8**	**0.0**

Valuation Techniques

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

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

Valuers

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

Note 20: Financial Instruments

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

Restated[1] 31 March 2022 Long Term £m	Restated[1] 31 March 2022 Current £m		31 March 2023 Long Term £m	31 March 2023 Current £m
		Financial Assets at Amortised Cost:		
10.0	290.5	Investments	10.0	364.9
27.1	83.9	Debtors	26.3	75.6
0.0	112.8	Cash and Cash Equivalents	0.0	71.1
		Financial Assets at Fair Value through Profit and Loss:		
51.7	0.0	Investments	75.4	0.0
88.8	**487.2**	**Total Financial Assets**	**111.7**	**511.6**
		Financial Liabilities at Amortised Cost:		
264.8	3.7	Borrowing	264.3	3.7
7.0	145.5	Creditors	6.3	139.5
1.2	0.0	Finance Lease Liabilities	1.1	0.0
273.0	**149.2**	**Total Financial Liabilities**	**271.7**	**143.2**

[1] prior year restated to exclude receipts in advance and payments in advance (not financial instruments).

As at 31st Match 2023, the authority has a long term investment of £10.0m with a banking institution, £22.5m in pooled property investments, £8.7m in pooled infrastructure investments, £28.7m in private debt investments and £15.5m in capital release funds. Pooled property is valued per the year end bid price or net asset value (NAV) statement. Private debt, pooled infrastructure and capital release funds are valued per year end NAV statements.

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

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

2021/22 £m		2022/23 £m
	Net Gains/(Losses) on:	
2.8	Financial Assets measured at Fair Value through Profit and Loss	3.7
2.8	**Total Net Gains/ (Losses)**	**3.7**
5.2	**Total Interest Income**	**11.6**
15.3	**Total Interest Expense**	**15.2**

Fair Value of Assets and Liabilities carried at Amortised Cost

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

31 March 2022 (Restated[1]) Carrying Amount £m	31 March 2022 (Restated[1]) At Fair Value £m		31 March 2023 Carrying Amount £m	31 March 2023 At Fair Value £m
576.1	575.4	**Financial Assets**	623.3	622.6
422.1	597.4	**Financial Liabilities**	414.8	457.7

[1] prior year restated to exclude receipts in advance and payments in advance (not financial instruments).

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

Fair Value Hierarchy

The Authority's financial assets and liabilities have been assessed as Level 2 for valuation purposes. Note 47 (sub section 25) provides an explanation of fair value and the input level hierarchy.

	2022/23 £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	0.0	75.4	0.0
Financial Liabilities	0.0	0.0	0.0
Total	**0.0**	**75.4**	**0.0**

	2021/22 £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	0.0	51.7	0.0
Financial Liabilities	0.0	0.0	0.0
Total	**0.0**	**51.7**	**0.0**

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

Note 21: Inventories

	Leicestershire Highways (stores) £m	Leicestershire Highways (fuel) £m	School Food (consumables) £m	Sub-total £m	Other (less than £0.1m) £m	Total £m
Opening Balance 31 March 2022	**1.1**	**0.1**	**0.3**	**1.5**	**0.3**	**1.8**
Purchases	1.7	0.7	3.7	**6.1**	2.5	**8.6**
Recognised as an expense during the year	(1.8)	(0.7)	(3.7)	**(6.2)**	(2.4)	**(8.6)**
Closing Balance 31 March 2023	**1.0**	**0.1**	**0.3**	**1.4**	**0.4**	**1.8**

Note 22: Long Term Debtors

31 March 2022 £m		31 March 2023 £m
	Long Term Debtors (amounts falling due after one year)	
24.4	Outstanding debt relating to transferred services (e.g. Leicester City, Police, ESPO)	23.1
2.2	Residential Care Charges (secured against properties)	2.7
0.5	Other Long Term Debtors	0.5
27.1	**Total Long Term Debtors**	**26.3**

Note 23: Short Term Debtors

31 March 2022 £m				31 March 2023 £m		
Debtors	Payments in Advance	Total		Debtors	Payments in Advance	Total
105.1	**21.0**	**126.1**	**Total Short Term Debtors**	**102.7**	**20.4**	**123.1**

Debtors are shown net of a credit loss allowance of £11.6m as at 31 March 2023 (£6.5m 31 March 2022), reported in Note 44 to the accounts.

Note 24: Cash & Cash Equivalents

31 March 2022 £m		31 March 2023 £m
	Net Cash Balance at Year End:	
0.0	School & Imprest Accounts	0.1
0.9	Main Bank Accounts	0.4
0.9	**Subtotal Cash In Hand / (Overdrawn)**	**0.5**
15.1	Service User Funds Bank Account*	15.1
96.8	Short-Term Deposits with Banks and Building Societies	55.5
112.8	**Total Cash and Cash Equivalents**	**71.1**

* 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 2022 £m		31 March 2023 £m
	Amounts Received in Advance: (more than one year)	
7.0	Section 106 Housing Developer Revenue Contributions	6.3
7.0	**Total Long Term Creditors**	**6.3**

Note 26: Short Term Creditors

31 March 2022 £m				31 March 2023 £m		
Creditors	**Receipts in Advance**	**Total**		**Creditors**	**Receipts in Advance**	**Total**
168.2	**23.6**	**191.8**	**Total Short Term Creditors**	**162.6**	**25.8**	**188.4**

Note 27: Provisions

	31 March 2022 £m	Additional Provisions £m	Provisions Used £m	31 March 2023 £m
Short Term				
Non Domestic Rates	2.0	0.0	(0.2)	1.8
Insurance	0.4	0.3	(0.0)	0.7
County Farms Restoration	2.4	0.0	(0.0)	2.4
Other	1.0	0.9	(0.0)	1.9
Total Short Term Provisions	**5.8**	**1.2**	**(0.2)**	**6.8**
Long Term				
Insurance	1.8	0.2	(0.3)	1.7
Total Long Term Provisions	**1.8**	**0.2**	**(0.3)**	**1.7**
Total Provisions	**7.6**	**1.4**	**(0.5)**	**8.5**

Details of Provisions Held:

Non Domestic Rate Appeals

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

Insurance

The insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding, unsettled claims at 31 March 2022 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.

County Farms Restoration

Provision for the restoration costs of a County Council tenanted farm, Firs Farm in Husbands Bosworth, due to environmental damage relating to illegal waste disposal. A remediation strategy for the farm has been agreed with the Environment Agency for the removal and proper disposal of the waste on the farm and reinstatement of the farmland planned to take place in 2023/24.

Note 28: Cash Flow Statement – Operating Activities

2021/22 (restated) £m		2022/23 £m
	The cash flows for operating activities include the following items:	
(4.9)	Interest Received	(7.2)
15.7	Interest Paid	15.8
	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
(27.1)	Depreciation	(31.8)
(23.3)	Impairment and Downward Revaluations	(20.3)
(24.4)	(Increase) / decrease in Creditors	(41.7)
(8.9)	Increase / (decrease) in Debtors	(3.4)
0.5	Increase / (decrease) in Inventories	(0.1)
(53.3)	Movement in Pension Liability	(38.0)
(10.1)	Carrying amount of Non-Current Assets Sold or De-recognised	(27.5)
(0.8)	Other non-cash items charged to the net surplus or deficit on the	(0.8)
(136.7)	**Total adjustments to the net surplus or deficit on the provision of services for non-cash movements**	**(155.0)**
	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	
7.2	Proceeds from the sale of property, plant and equipment investment property and intangible assets	0.9
0.0	Proceeds from the sale of other investment assets	0.2
(10.6)	Servicing of Finance	(4.2)
58.7	Capital Grants and Contributions	34.9
55.3	**Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**31.8**

Note 29: Cash Flow Statement - Investing Activities

2021/22 £m		2022/23 £m
61.7	Purchase of property, plant and equipment, investment property	51.6
90.8	Purchase of short-term and long-term investments	93.9
(7.2)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.9)
(58.7)	Capital Grants and Contributions	(34.9)
0.0	Other receipts from investing activities	(0.2)
86.6	**Net Cash Flows from Investing Activities**	**109.5**

Note 30: Cash Flow Statement - Financing Activities

2021/22 £m		2022/23 £m
0.0	Cash receipts of short-term and long-term borrowing	0.0
0.5	Repayments of short-term and long-term borrowing	0.5
0.5	**Net Cash Flows from Financing Activities**	**0.5**

Note 31: Pooled Budgets

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

a) Integrated Community Equipment Service

The other members that contribute to this pool are Leicester City Council, Rutland County Council, NHS Leicester, Leicestershire and Rutland Integrated Care Board (ICB). Leicester City Council acts as the host authority. The Authority contributed £1.5m (2021/22 £1.2m) to the pool. The memorandum account shows total expenditure of £7.1m (2021/22 £6.6m) and gross income of £7.1m (2021/22 £6.6m). Funding commenced in 2005/06 and the partners have agreed to commission this service until March 2027.

2021/22 £m		2022/23 £m
	Funding Provided to the Pooled Budget	
(1.2)	Leicestershire County Council	(1.5)
(5.4)	Integrated Care Board	(5.6)
(6.6)	**Total**	**(7.1)**
	Expenditure Met from the Pooled Budget	
1.2	Leicestershire County Council	1.5
5.4	Integrated Care Board	5.6
6.6	**Total**	**7.1**
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 Leicester, Leicestershire and Rutland Integrated Care board and Leicestershire County Council. Leicestershire County Council acts as host to the arrangement. The Authority contributed £11.6m (2021/22 £9.4m). The memorandum account shows total expenditure of £19.4m (2021/22 £16.9m) and gross income from the partners of £19.4m (2021/22 £16.9m). 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.

2021/22 £m		2022/23 £m
	Funding Provided to the Pooled Budget	
(9.4)	Leicestershire County Council	(11.6)
(7.5)	Integrated Care Board	(7.8)
(16.9)	**Total**	**(19.4)**
	Expenditure Met from the Pooled Budget	
9.4	Leicestershire County Council	11.6
7.5	Integrated Care Board	7.8
16.9	**Total**	**19.4**
0.0	**Net Position on the Pooled Budget**	**0.0**
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. During 2022/23 the Clinical Commissioning Groups were replaced by the NHS Leicester, Leicestershire and Rutland Integrated Care Board. Leicestershire County Council acts as the host to the arrangement but not all expenditure incurred by the pool is passed through the Authority's ledger. The following memorandum account reflects the actual funding and expenditure values which have gone through each partner's ledger. In total the pooled budget had gross expenditure of £73m (21/22 £76.7m) and gross income of £73m (21/22 £76.7m).

2021/22 £m		2022/23 £m
	Funding Provided to the Pooled Budget	
(21.6)	Leicestershire County Council	(24.1)
(55.1)	Integrated Care Board	(48.9)
(76.7)	**Total**	**(73.0)**
	Expenditure Met from the Pooled Budget	
59.1	Leicestershire County Council	52.7
17.6	Integrated Care Board	20.3
76.7	**Total**	**73.0**
0.0	**Net Position on the Pooled Budget**	**0.0**

Note 32: Senior Officers' Remuneration

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

Post holder Information (Post title)	Salary £000	Compensation for loss of office £000	Benefits in kind £000	Total Remuneration - excluding Employers Pension Contribution £000	Employers Pension Contributions (N1) £000	Total Remuneration - including Employers Pension Contribution £000
2022/23						
Chief Executive - John Sinnott	214	0	0	214	5	219
Director of Adults & Communities	143	0	0	143	41	184
Director of Public Health	143	0	0	143	21	164
Director of Children & Family Services	143	0	0	143	41	184
Director of Corporate Resources - S151 Officer	143	0	0	143	41	184
Director of Environment & Transport	143	0	0	143	41	184
Director of Law and Governance -Monitoring Officer	139	0	0	139	39	178
Total	**1,068**	**0**	**0**	**1,068**	**229**	**1,297**
2021/22						
Chief Executive - John Sinnott	212	0	0	212	0	212
Director of Adults & Communities	141	0	0	141	39	180
Director of Public Health	141	0	0	141	20	161
Director of Children & Family Services	141	0	0	141	39	180
Director of Corporate Resources - S151 Officer	141	0	0	141	39	180
Director of Environment & Transport	141	0	0	141	39	180
Director of Law and Governance – Monitoring Officer	132	0	0	132	36	168
Total	**1,049**	**0**	**0**	**1,049**	**212**	**1,261**

There were no payments made for bonuses, expense allowances or other payments.
N1 – Revised employer's pension contribution rates in 2022/23.

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.

2021/22			2022/23	
Including Severance	Excluding Severance		Including Severance	Excluding Severance
No. of Employees	No.of Employees	Remuneration Band	No. of Employees	No. of Employees
183	183	£50,000-£54,999	132	131
76	76	£55,000-£59,999	121	119
72	72	£60,000-£64,999	73	73
32	32	£65,000-£69,999	37	36
33	33	£70,000-£74,999	36	36
6	6	£75,000-£79,999	5	5
7	7	£80,000-£84,999	9	9
7	6	£85,000-£89,999	8	8
1	2	£90,000-£94,999	1	1
3	3	£95,000-£99,999	2	2
9	8	£100,000-£104,999	7	7
1	1	£105,000-£109,999	0	0
2	3	£110,000-£114,999	2	2
1	0	£115,000-£119,999	1	1
2	2	£120,000-£124,999	1	1
0	0	£125,000-£129,999	2	2
1	0	£155,000-£159,999	0	0
436	**434**	**Total**	**437**	**433**

Note: the numbers above include Leicestershire maintained schools.

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

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total cost of Exit Packages in each Cost Band*	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22 £m	2022/23 £m
£0 - £20,000	10	18	35	17	45	35	0.2	0.3
£20,001 - £40,000	1	2	3	2	4	4	0.1	0.1
£40,001 - £60,000	0	1	2	2	2	3	0.1	0.2
£60,001 - £80,000	0	1	1	0	1	1	0.1	0.1
£80,001 - £100,000	1	0	0	0	1	0	0.1	0.0
Total	**12**	**22**	**41**	**21**	**53**	**43**	**0.6**	**0.7**

i) The above table includes accrued liabilities. See note 42 for further details.
ii) The numbers of officers shown are the actual number, not full time equivalents.

Note 33: Members' Allowances

Amounts were paid to Members of the Authority as follows:

2021/22 £m		2022/23 £m
0.7	Basic Allowance	0.7
0.4	Special Responsibility Allowances	0.4
1.1	**Total**	**1.1**

Note 34: External Audit Costs

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

2021/22 £		2022/23 £
	Fees payable to external auditor:	
139,777	Annual audit	179,000
6,917	Other services provided during the year	10,000
146,694	**Total**	**189,000**

Note 35: Dedicated Schools Grant

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

Details of the deployment of DSG receivable for 2022/23 are as follows:

2021/22 £m Central Exp	2021/22 £m Individual Schools Budget	2021/22 £m Total	Schools Budget Funded by DSG	2022/23 £m Central Exp	2022/23 £m Individual Schools Budget	2022/23 £m Total
		(577.9)	Final DSG for 2022/23 before academy and high needs recoupment			(606.4)
		380.0	Academy and high needs figure recouped for 2022/23			401.0
		(197.9)	Total DSG after academy and high needs recoupment for 2022/23			(205.4)
		0.0	Plus: brought forward from 2021/22			0.0
		0.0	Less: Carry forward to 2023/24 agreed in advance			0.0
(111.3)	**(86.6)**	**(197.9)**	**Agreed initial budgeted distribution in 2022/23**	**(123.4)**	**(82.0)**	**(205.4)**
0.4	0.0	0.4	In year adjustments	(0.2)	0.0	(0.2)
(110.9)	(86.6)	(197.5)	Final budgeted distribution for 2022/23	(123.6)	(82.0)	(205.6)
126.4	0.0	126.4	Less: Actual central expenditure	129.6	0.0	129.6
0.0	84.3	84.3	Less: Actual ISB deployed to schools	0.0	81.9	81.9
0.0	0.0	0.0	Plus: Local Authority contribution for 2022/23	0.0	0.0	0.0
15.5	**(2.3)**	**13.2**	**In year carry forward to 2023/24**	**5.9**	**0.0**	**5.9**
		0.0	Plus: Carry-forward to 2023/24 agreed in advance			0.0
		0.0	Carry-forward to 2023/24			0.0
		11.1	DSG unusable reserve at the end of 2021/22			24.3
		13.2	Addition to DSG unusable reserve at the end of 2022/23			5.9
		24.3	Total of DSG unusable reserve at the end of 2022/23			30.2
		24.3	**Net DSG position at the end of 2022/23**			**30.2**

Note 36: Grant Income

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

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

2021/22 £m			2022/23 £m	
		Revenue:		
0.0		Revenue Support Grant (RSG)	0.0	
14.3		Social Care General Grant	19.9	
0.0		Services Grant	4.3	
2.6		New Homes Bonus Scheme Grant	2.1	
15.1		Covid-19 Grant	0.0	
	32.0			26.3
		Capital:		
		Department for Education:		
16.7		Basic Need	0.0	
4.1		Maintenance	0.0	
3.6		High Needs Provision	0.0	
		Department for Transport:		
7.9		Local Transport Plan - Maintenance	7.9	
2.7		Local Transport Plan – Integrated Transport Schemes	2.8	
2.0		Maintenance Incentive Element	2.0	
7.9		Pothole Funding	7.9	
0.0		National Productivity Investment Fund	2.4	
		Department for Business, Energy and Industrial Strategy		
3.6		*Public Sector Decarbonisation Scheme*	0.0	
6.6		*Section 106 Housing Developer Contributions*	14.1	
3.6		*Other Capital Contributions* (below £1m at 31 March 2023)	2.0	
	58.7			39.1
	90.7	**Total (Note 14 non ring-fenced government grants and capital grants and contributions)**		**65.4**

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

2021/22 £m			2022/23 £m	
		Children and Family Services – Education:		
197.5		Dedicated Schools Grant	204.0	
5.2		Pupil Premium Grant	5.5	
2.1		Asylum Seekers	4.4	
2.6		Universal Infant Free School Meals	2.5	
0.0		Maintained Schools Supplementary Grant	2.5	
0.0		Homes for Ukraine Education Grant	1.9	
0.6		Devolved Formula Capital	1.7	
1.3		Pupil Premium – Covid Grant	1.5	
1.5		Music Grant	1.5	
1.1		Troubled Families Programme	1.5	
1.6		PE & Sports Grant	1.5	
1.0		Children's Innovation Partnership	1.2	
1.0		Adoption Support Fund	1.1	
1.3		Domestic Abuse Services Fund	1.1	
	216.8			231.9
		Adults and Communities – Dept of Health:		
17.2		Improved Better Care Fund	17.7	
0.0		Better Care Fund Discharge Grant	2.0	
4.7		Skills Funding Agency	4.2	
0.0		Market Sustainability Fund	1.6	
1.2		Independent living Fund	1.2	
	23.1			26.7
		Public Health		
25.5		Public Health Grant	26.2	
12.4		Covid – Contain Funding	1.7	
1.0		Green Homes Grant	2.0	
	38.9			29.9
		Environment & Transport		
	1.2	Bus Service Operators Grant		2.2
	1.2	Home to School Transport Grant		0.9
		Corporate Resources		
	3.6	Household Support Fund		7.2
		Chief Executives		
	0.0	Homes for Ukraine – Guest payment		1.9
	0.0	Homes for Ukraine – Sponsor payment		1.1
	10.1	REFCUS Capital Grants		32.7
	29.1	Other income (below £1m at 31 March 2023) and REFCUS		8.1
	324.0	**Total**		**342.6**

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

31 March 2022 £m	Short-Term Capital Grants Receipts in Advance:	31 March 2023 £m
0.0	Dept. for Education: High Needs Capital Grant	5.1
0.0	Dept. for Transport: Melton Distributor Road	43.9
4.0	Dept. for Transport: Pothole Funding	3.4
0.0	Dept. for Transport: A511 Major Road Network Grant	2.4
1.9	Section 106 Housing Developer Contributions	3.7
2.6	Other Grants and Contributions	0.8
8.5	**Total**	**59.3**

31 March 2022 £m	Long-Term Capital Grants Receipts in Advance:	31 March 2023 £m
78.0	Section 106 Housing Developer Contributions	74.0
78.0	**Total**	**74.0**

Note 37: Related Parties

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

Central Government

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

Members

Members of Leicestershire County Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 33.

The Authority has contracts with voluntary and community sector organisations to the value of less than £0.2m (2021/22, £0.3m), in which 4 members (2021/22, 8 members) have an interest. In addition, payments totalling less than £0.2m have been made during 2022/23 (2021/22, less than £0.2m) to organisations, in which 3 members had a position on the governing body (2021/22, 4 members). In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the *Register of Members' Interest*, which is available for public inspection at www.leicestershire.gov.uk

Officers

During 2022/23, no works and services were procured (2021/22 none) in which senior officer's or their family member had an interest.

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

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

Note 38: Interests in Other Consortia

a) Eastern Shires Purchasing Organisation (ESPO)

The Authority is a member of the Eastern Shires Purchasing Organisation involved in the negotiation of contracts for supplies to its members and the provision of a central warehouse for the supply of items in common use. The Authority had an outstanding creditor balance of less than £0.1m (2021/22, less than £0.1m) and an outstanding debtor balance of £0.4m as at 31 March 2023 (2021/22 £0.4m). 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 2023 was £3.8m (31 March 2022 £4.3m).

The Authority in effect owns approximately one sixth of ESPO assets and liabilities, which in 2022/23 were net assets of £37.7m (Leicestershire County Council £6.3m). 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.

b) Leicester, Leicestershire and Rutland Combined Fire Authority

The Authority is a constituent member of Leicester, Leicestershire and Rutland Combined Fire Authority. The Authority had an outstanding debtor balance of £0.2m as at 31 March 2023 (2021/22 £0.3m). 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 3BU.

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 44.9%. 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 2021/22 £m	Amounts Included in LCC CIES 2021/22 £m		Total EMSS 2022/23 £m	Amounts Included in LCC CIES 2022/23 £m
		Income:		
(1.2)	(1.2)	Direct external income - LCC	(1.8)	(1.8)
(0.5)	(0.0)	Direct external income – NCC	(0.5)	(0.0)
(0.0)	(2.7)	NCC share of net LCC direct costs	0.0	(1.4)
(1.7)	**(3.9)**	**Total Income**	**(2.3)**	**(3.2)**
		Expenditure:		
6.0	6.0	Direct costs incurred by LCC	5.0	5.0
0.4	0.0	Direct costs incurred by NCC	1.9	0.0
6.4	**6.0**	**Total Expenditure**	**6.9**	**5.0**
4.7	**2.1**	**Net Expenditure**	**4.6**	**1.8**

d) Active Together

Active Together is an active partnership working collaboratively with a range of partners across Leicestershire, Leicester and Rutland, to help communities realise the benefits of a more physically active life. Active Together is funded from different sources including Leicestershire County Council (LCC) and Sport England. LCC is the host Authority and Active Together accounts form a part of the overall Public Health budget. A summary of the income and expenditure specific to Active Together follows:

2021/22	Income and Expenditure Category	Sport England	Local Authority	Other Public Sector Income	Non-public Income	2022/23
£m		£m	£m	£m	£m	£m
	Income:					
(2.7)	Revenue Grants	(1.2)	(1.7)	(0.0)	(0.0)	(2.9)
(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)
(0.4)	Other Income	(0.0)	(0.0)	(0.4)	(0.1)	(0.5)
(0.0)	Enterprise & Innovation	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(3.1)	**Total Income**	**(1.2)**	**(1.7)**	**(0.4)**	**(0.1)**	**(3.4)**
£m		**£m**	**£m**	**£m**	**£m**	**£m**
	Expenditure:					
1.3	Support costs	0.6	0.8	0.0	0.0	1.4
0.1	Overheads	0.0	0.1	0.0	0.0	0.1
1.0	Get Active	0.4	0.7	0.3	0.0	1.4
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
0.1	Workforce	0.0	0.1	0.1	0.0	0.2
0.2	MarComms	0.0	0.1	0.0	0.0	0.1
0.2	Active Places	0.0	0.0	0.0	0.0	0.0
0.0	Enterprise & Innovation	0.0	0.0	0.0	0.0	0.0
3.0	**Total Expenditure**	**1.1**	**1.8**	**0.4**	**0.0**	**3.3**
(0.1)	**Net**	**(0.1)**	**0.1**	**(0.0)**	**(0.1)**	**(0.1)**
(0.1)	**Earmarked Deferred project Expenditure/(Net Deficit Required from Reserves)**					**(0.1)**

e) Leicestershire County Council Pension Fund

Leicestershire County Council is the administering authority for the purposes of the Leicestershire County Council Pension Fund (the Fund) under the Local Government Pension Scheme (Administration) Regulations 2013. Recharges from the Authority to the Fund for Pension scheme administration, and oversight and governance, totalled £3.2m (2021/22, £2.8m). The majority of transactions for the Fund are processed by the Authority and are recovered from the Fund. At 31 March 2023 the Authority had a debtor with the fund of less than £10,000 (31 March 2022, debtor £1.7m).

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

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

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

Further details in respect of the LGPS Central Pool are set out in the Pension Fund Accounts.

f) Leicester and Leicestershire Business Rates Pool

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

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

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

Authorities are invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity. The Council, Leicester City Council, the Combined Fire Authority and all the Leicestershire District Councils have agreed to operate a pooling agreement for business rates levies and safety net payments, the Leicester & Leicestershire Pool (LLP). The Council is the lead authority for the LLP. A summary of the position for 2022/23 is shown below which shows an overall surplus on the Pool of £17.0m.

2022/23	**Funding Baseline £m**	**Rates Baseline £m**	**Retained Rates £m**	**Levy £m**	**Safety Net £m**
Blaby	2.2	16.8	22.5	2.9	0.0
Charnwood	4.3	19.7	22.0	1.2	0.0
Harborough	1.8	15.4	22.9	3.7	0.0
Hinckley & Bosworth	2.6	12.2	16.6	2.2	0.0
Melton	1.3	5.7	6.8	0.6	0.0
NW Leicestershire	2.4	20.6	33.0	6.1	0.0
Oadby & Wigston	1.5	5.3	6.0	0.3	0.0
Total	**16.1**	**95.7**	**129.8**	**17.0**	**0.0**
2022/23 Net Gain					**17.0**
Net Gain b/f					24.8
Less allocations in year					(0.0)
Total 31 March 2023					**41.8**

2021/22	**Funding Baseline £m**	**Rates Baseline £m**	**Retained Rates £m**	**Levy £m**	**Safety Net £m**
Blaby	2.2	16.8	20.6	1.9	0.0
Charnwood	4.3	19.7	21.2	0.8	0.0
Harborough	1.8	15.4	19.9	2.2	0.0
Hinckley & Bosworth	2.6	12.2	15.2	1.5	0.0
Melton	1.3	5.7	7.0	0.6	0.0
NW Leicestershire	2.4	20.6	32.6	6.0	0.0
Oadby & Wigston	1.5	5.3	6.0	0.3	0.0
Total	**16.1**	**95.7**	**122.5**	**13.3**	**0.0**
2021/22 Net Gain					**13.3**
Net Gain b/f					11.5
Less allocations in year					(0.0)
Total 31 March 2022					**24.8**

The total of £41.8m as at 31 March 2023 comprises a £2.0m contingency towards future years, with the balance of £39.8m for investment in the wider Leicestershire area, via allocations of one third each to the County Council, Leicester City Council and the seven District Councils. The Authority's accounts include additional NDR income as a result of the pool of £13.3m together with a creditor of £13.3m to Leicester City Council for their share of the Surplus on the pool and a net debtor of £26.5m from the District Councils representing the net position of the levy due from them, in total £39.8m offset by their share of the pool of £13.3m. The £2m 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) East Midlands Development Corporation

Leicestershire County Council is one of five East Midlands local authority owners of EM DevCo Ltd. The company is working with partners from business, academia, and government to supercharge the local economy and create tens of thousands of new jobs via three landmark developments of national significance. The three developments of regeneration sites are:

- Toton & Chetwynd East Midlands Hub
- Ratcliffe-on-Soar Power Station area
- East Midlands Airport area

The developments cover the size of three Olympic Parks with transformational opportunities around three main growth clusters situated within the borders of Nottinghamshire, Derbyshire and Leicestershire, and close to the core cities of Nottingham, Derby and Leicester. These new plans could create 84,000 jobs and add billions in value to the regional economy. The Net Zero ambitions for future infrastructure developments will ensure local growth, full and productive employment for all, and inclusive communities are created.

During 2022/23 Leicestershire County Council made no contributions to the company. In 2021/22 the County Council contributed £0.5m towards the set up and operational costs of the company.

The draft 2022/23 financial statements for the company report a net balanced position, total assets equal total liabilities.

Further information can be found on the EM DevCo website www.emdevco.co.uk/about-us

h) East Midlands Freeport

On the 30th March 2023 the East Midlands Freeport (EMF) was granted formal government approval and is now in operation. Leicestershire County Council is the accountable body for EMF.

Freeports are a flagship Government programme that will play an important part in the UK's post Covid economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment and prosperity to some of the most deprived communities, with targeted and effective support. The EMF is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties.

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

The key funding stream for Freeports is retained business rates. In designated areas 100% of growth in business rate revenues is retained to allow these funds to be invested in the local area rather than a share needing to be returned to central government. In advance of growth, and retained business rates being available, the County Council has agreed to provide a cash flow loan to the EMF to cover set up and operations of up to £4m. This loan is at

commercial rates to ensure the County Council gets an appropriate return on investment. As the accountable body for EMF, the role includes providing support to the Freeport in delivering the objectives set by the Government.

Security of the loan is through over £800m of retained business rates is expected to be generated over 25 years. This is likely to exceed £10m per year from 2027/28 and continue to rise. Repayment of County Council funds is the first call on retained business rates after covering operational costs. Development has already commenced. In addition, the use of retained business rates will be available to supplement developer funding, thereby mitigating adverse impacts of development.

As at 31 March 2023, £1.8m of the loan had been drawn down (£0.7m as at 31 March 2022). No debtor has yet been recorded in the Council's accounts until all of the governance agreements and related documents, including the loan agreement, are finalised. The Council has temporarily funded the loan advance from earmarked reserves.

Note 39: Capital Expenditure and Capital Financing

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

2021/22 £m		2022/23 £m
232.3	Opening Capital Financing Requirement	214.0
	Capital Investment:	
69.0	Property, Plant and Equipment	52.9
13.7	Revenue Expenditure Funded from Capital under Statute	32.7
0.0	Long Term Investment	8.7
	Sources of Finance:	
(7.1)	Capital Receipts	(1.1)
(69.7)	Government grants and other contributions	(67.6)
(6.0)	Direct revenue contributions	(25.7)
(6.2)	Statutory Minimum Revenue Provision	(6.1)
(12.0)	Additional (Voluntary) Minimum Revenue Provision (N1)	0.0
214.0	**Closing Capital Financing Requirement**	**207.8**
	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
(18.2)	Minimum Revenue Provision (N1)	(6.1)
(18.2)	**Increase/(Decrease) in Capital Financing Requirement**	**(6.1)**

(N1) During 2021/22 the Council made £12m additional MRP contributions, funded from revenue & reserve balances, to reduce the capital financing requirement. This reduces the need to borrow, saving future capital financing costs.

Note 40: Leases

a) Amounts Paid to Lessors

Finance lease rentals paid to lessors in the year totalled £0.3m (2021/22, £0.3m). Lease rentals paid to lessors during the year in respect of operating leases totalled £2.0m (2021/22 £1.8m).

b) Amounts Received from Lessees

Lease rentals on Authority owned buildings received from lessees during the year in respect of operating leases totalled £7.6m (2021/22 £8.4m). Expected Lease rentals projected to be received in 2023/24 is £7.5m.

c) Finance Leased Assets

The Council has four buildings that it uses under finance leases. These assets are carried as Property, Plant and Equipment in the balance sheet, at a value of £0.6m as at 31 March 2023 (31 March 2022 £0.6m).

The Council has a liability to make payments under these leases during 2022/2023 and beyond:

	2021/22			2022/23		
	Finance Lease Principal (NPV)	Finance Cost	Finance Leases Total	Finance Lease Principal (NPV)	Finance Cost	Finance Leases Total
	£m	£m	£m	£m	£m	£m
Lease Payments due:						
Within 1 year	0.1	0.2	0.3	0.1	0.2	0.3
2 to 5 years	0.3	0.8	1.1	0.3	0.8	1.1
Over 5 years	0.7	2.7	3.4	0.5	2.5	3.0
Total	**1.1**	**3.7**	**4.8**	**0.9**	**3.5**	**4.4**

Note 41: Impairment Losses

During 2022/23, the Authority has not recognised any impairment losses (2021/22 nil). However, revaluations downwards of £18.7m (2021/22 £27.4.m) have been recognised in the Revaluation Reserve and revaluations downwards of £21.3m (2021/22 £10.8m) have been recognised in the Comprehensive Income and Expenditure Statement. There have also been reversal of historical downwards revaluations of £3.5m (2021/22 £6.1m) in the Comprehensive Income and Expenditure Statement.

Note 42: Termination Benefits

Termination benefits arise when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits as a liability and an expense if the Authority is demonstrably committed to a detailed formal plan without realistic possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. The total termination benefits for 2022/23 are £0.7m (2021/22 £0.6m).

Note 43: Contingent Liabilities

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

The latest financial information for MMI, as disclosed in their Accounts for the year to 30 June 2023, shows a balanced position. As a result, the scheme administrators do not intend to request any additional contributions. However, it should be noted that there is a contingent liability for any additional deficit due to the uncertainty of the value of incurred but not reported (IBNR) claims. A reserve has been established to reduce the risk to the Authority of any further liabilities under the MMI scheme of arrangement and in respect of any other uninsured losses.

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

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

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

The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Corporate Resources Department, under 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	£70m	£50m	£30m
Maximum Loan Period	1 year	1 year	6 months
General Description	'Special Instructions' (i.e. significant element of UK-Government ownership) and included in Link list for period of 1 year or more	Not 'special instructions' and included in Link list for period of 1 year or more	Included in Link list for period of 6 months

Matrix for Overseas Banks

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

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

Other UK Local Authorities

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

Money Market Funds

AAA-rated only

Maximum amount in any single fund = £30m

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 2023 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers. The past due but not impaired Sales ledger debt can be analysed by age as follows:

2021/22 £m		2022/23 £m
25.8	Less than three months	22.0
3.9	Three to six months	3.3
4.7	Six months to one year	4.0
7.6	More than one year	11.0
42.0	**Total**	**40.3**

In respect of the above sales ledger debt, the Authority has made a credit loss allowance of £11.6m for potential doubtful debts.

(ii) Liquidity risk

The Authority has a record of expected cash flows which is used to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specific periods. The strategy is to ensure that 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 2022 £m		31 March 2023 £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	5.8
6.5	Between 2 and 5 years	1.7
1.6	Between 5 and 10 years	1.1
0.3	Between 10 and 15 years	0.3
0.4	Between 15 and 20 years	0.4
23.7	Between 20 and 25 years	45.8
58.2	Between 25 and 30 years	71.4
109.5	Between 30 and 35 years	84.1
9.9	Between 35 and 40 years	0.1
20.1	Between 40 and 45 years	20.1
33.5	Greater than 45 years	33.5
264.7	**Total Long Term Loans by Maturity**	264.3
268.4	**Total Loans by Maturity**	**268.0**

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 2023, 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	3.8
Increase in government grant receivable for financing costs	0.0
Impact on Surplus or Deficit on the Provision of Services	**3.8**
Decrease in fair value of fixed rate investment assets	(1.6)
Impact on Other Comprehensive Income and Expenditure	**(1.6)**
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)	(42.0)

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

Price risk

The authority does not generally invest in equity shares but does have investments to the value

of £75m in private debt, pooled investment funds and capital release funds. The authority is consequently exposed to gains and losses arising from movements in the valuation of these investments. The authority actively manages these investments in a way to limit its exposure to price movements by diversifying its portfolio. These investments are classified at fair value through profit or loss, meaning that all movements in valuation will impact on gains and losses recognised in the surplus of deficit on the provision of services. A change of 1% in the valuations of the investments (positive or negative) would have resulted in a £0.75m gain or loss being recognised in the surplus of deficit on the provision of services as at 31 March 2023. **Foreign exchange risk**

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

Note 45: Self-Insurance

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

Deductible per Claim	
	£
Fire	500,000
Public/Employers' liability	425,000
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 46: 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. The main trust funds are as follows:

	Balance at 31 March 2022 £m	Income £m	Expenditure £m	Balance at 31 March 2023 £m
Trust Funds:				
Bradgate Park & Swithland Wood Charity *	1.7	1.9	(1.6)	2.0
Kibworth High School Endowment	0.3	0.1	(0.0)	0.4
Others	0.3	0.0	(0.0)	0.3
Total Trust Funds	**2.3**	**2.0**	**(1.6)**	**2.7**

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

Note 47: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. 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 2022/23 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.

In preparing the Statement of Accounts it is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

2. Provisions

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

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

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

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

3. Reserves

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

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

a) Revenue

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

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

b) Capital

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

Revaluation Reserve

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

Capital Adjustment Account

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

Deferred Capital Receipts Reserve

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

Capital Receipts Reserve and Capital Grants Unapplied

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

c) Other

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

Financial Instruments Adjustment Account

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

Pensions Reserve

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

Short-Term Accumulating Compensated Absences Adjustment *Account*

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

4. Cash and Cash Equivalents

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

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

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

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

6. Non- Current Assets

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

Recognition:

Expenditure on the acquisition, creation or enhancement of an asset is capitalised on accruals basis, provided that it is probable that future economic benefits will flow to the Authority and the cost can be measured reliably. The Authority operates a de-minimis limit of £10,000 for individual items; relatively minor items may be financed from revenue. The purchase of single items below £10,000 may be capitalised in certain circumstances, for example, the need to comply with grant conditions. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs or maintenance) is charged as an expense when it 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. Assets under Construction (AUC) that become operational in year are held at historic cost and re-classified to their relevant asset category at the balance sheet date, with a subsequent valuation taking place in the following financial year. Valuations are carried out by qualified Chartered Surveyors, who are also Registered valuers .Assets Held for Sale are revalued within the year to ensure the open market value is accurate.

  The current asset values used in the accounts are based on a certificate issued by the Authority's Strategic Property Manager as of 1 October 2022. Additions since that date are included in the accounts at their cost of acquisition. The addition is then reviewed, and if the actual capital expenditure does not increase the asset valuation or if the expenditure is less than the Authority's £100,000 capital de-minimis level then this value will be recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not adding value.

- **Land and Buildings – Schools:** the Code confirms that local authority maintained schools (and the governing bodies thereof) are to be treated as entities for control purposes, and that the transactions of said schools shall be consolidated into the local authority single entity financial statements. Non-current assets attributed to schools are therefore recognised in the Authority's balance sheet, subject to the Authority (or the school's governing body) having control over the asset and it being probable that future service potential will flow to the Authority (or to the school). The Authority therefore recognises the non-current assets of its maintained community and voluntary controlled schools on its balance sheet. The balance of control and service potential is considered to reside with independent trustees for foundation and voluntary aided schools, and so these assets are not consolidated into the Authority's balance sheet (the Council retains the statutory responsibility for land at voluntary aided schools, so this is recognised as an asset of the Authority). A number of schools in the County now hold academy status. Academies are managed completely independently of the Authority, and funding is provided directly by central government. Whilst the Authority retains the freehold of the land, premises are leased to the academy on a finance-lease basis (for a 125 year term). Therefore academy buildings are derecognised from the Authority's balance sheet, and land is retained at a nominal value reflecting its restricted use.

- **Vehicles, Plant, Furniture and Equipment:** valuation is based on depreciated historical cost for all assets with an original cost in excess of £20,000, with the exception of Leicestershire Highways who occasionally capitalise assets under £20,000. Additions below the £20,000 deminimis level are then recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing in value.

- **Infrastructure Assets:** include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably. Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April [1994 England and Scotland] [1996 Wales], which was deemed at that time to be historical cost.

- **Community Assets** are assets that the Authority is likely to keep in perpetuity for the benefit of local people, e.g. country parks and reclaimed land. Such assets are valued at nominal values for assets acquired prior to 1994 and historical cost thereafter.

- **Assets Under Construction** are based on 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 a re naturally identifiable i.e. swimming pool or external building. The Authority also recognises a significant component within a block to be any component over £100,000 that individually exceeds 25% of the total value of the block and has a substantially different life to the overall structure.

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

Revaluation of Assets

Increases in valuations result in a debit being posted to the non-current asset account and matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains are credited to the Comprehensive Income and Expenditure Statement where they arise from the reversal of an impairment loss previously charged to a service revenue account.

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

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

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

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

Impairment of Assets

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is

estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

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

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

7. Heritage Assets

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

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

Heritage Assets – General

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

8. Leases

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

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

Part of the highways network	Useful Life (years)
Carriageways	25
Footways and cycle tracks	25
Structures (bridges)	100

Street lighting	40
Street furniture	25
Traffic management systems	20

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

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

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

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

b) Revaluation and Impairment

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

c) Amortisation

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

11. Capital Receipts

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

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

12. Accruals of Income and Expenditure

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

- Revenue from contracts, whether for services or the provision of goods, is recognised when the goods or services are transferred to the recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

13. Government Grants

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

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

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

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

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

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

14. Inventories and Long-Term Contracts

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

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

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

15. Financial Instruments

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

- **Financial Liabilities**

  Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal

repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

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

16. Employee Benefits

- **Benefits Payable During Employment**

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as; wages, salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year the employees render services to the Authority. An accrual is made for the cost of holiday entitlements, outstanding flexi leave and Time Off in Lieu earned by employees but not taken before the year-end, which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the following accounting

year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

- **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Redundancy costs are recognised on an 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 as shown in the assumptions in Note 16 to the accounts. The assets of the fund attributable to the Authority are included in the Balance Sheet at fair value:

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

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

- **Service Cost comprising:**

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

- **Remeasurements comprising:**

  - **The return on plan assets -** excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - **Actuarial gains and losses -** changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - **Contributions paid to the Pension Fund -** cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

- **Discretionary Benefits**

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

17. Value Added Tax (VAT)

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

18. Contingent Liabilities

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

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

19. Contingent Assets

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

20. Events after the Reporting Period

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

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

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

21. Collection Fund Adjustment Account

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

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

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

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

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

22. Schools

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

23. Investment Properties

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

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

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

24. Joint Operations

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

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

25. Fair Value Measurement

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

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

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

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

Level 1 - unadjusted quoted prices in active markets for identical assets of liabilities that the Authority can access at the measurement date.
Level 2 - inputs other than quoted prices in active markets included in level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3 - unobservable inputs for the asset or liability.

Statement of Responsibilities for the Statement of Accounts

THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Director of Corporate Resources.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the statement of accounts.

MR. L. BRECKON
CABINET LEAD MEMBER FOR CORPORATE RESOURCES
24 MAY 2024

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 2023.

D KEEGAN
DIRECTOR OF CORPORATE RESOURCES
24 MAY 2024

Leicestershire County Council Pension Fund Accounts 2022/23

(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-22	31-Mar-23
Number of active employers*	195	189
Number of employees in the scheme (Actives)		
County Council	8,554	8,596
Other employers	28,585	30,227
Total	**37,139**	**38,823**
Number of pensioners		
County Council	11,962	12,126
Other employers	19,435	20,434
Total	**31,397**	**32,560**
Deferred pensioners		
County Council	9,791	9,853
Other employers	20,913	21,958
Total	**30,704**	**31,811**
Total number of members in the pension scheme	**99,240**	**103,194**

*This figure has been restated from 2021/22 to only include active employers in the scheme (defined as employers with one or more actively contributing employees).

Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers contributions are set based on triennial actuarial funding valuations. In 2022/23 the average employer rate was 26.3% of pay (25.6% 2021/22).

Benefits

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

Fund Account for the Year Ended 31 March 2023

2021/22 £m		Notes	2022/23 £m
	Contributions		
(192.5)	Employer Contributions	6	(212.0)
(47.0)	Member Contributions	6	(50.2)
(9.9)	Transfers in from Other Pension Funds	7	(12.4)
(249.4)	**Total Contributions**		**(274.6)**
	Benefits		
137.3	Pensions	8	146.5
34.2	Commutation of Pensions and Lump Sum Retirement Benefits	8	37.8
5.7	Lump Sum Death Benefits		4.1
17.4	Payments to and on Account of Leavers	9	13.6
194.6	**Total Benefits**		**202.0**
(54.8)	**Net (Additions)/Withdrawals from Dealings with Members**		**(72.6)**
42.5	Management Expenses	10	54.5
(12.3)	**Net (Additions)/Withdrawals Including Fund Management Expenses**		**(18.1)**
	Returns on investments		
(43.6)	Investment income	11	(43.8)
(551.9)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	77.6
(595.5)	**Net Returns on Investments (Sub Total)**		**33.8**
(607.8)	**Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year**		**15.7**
(5,182.2)	Net assets of the scheme Opening		(5,790.0)
(5,790.0)	**Net assets of the scheme Closing**		**(5,774.3)**

Net Assets Statement as at 31 March 2023

2021/22 £m		Notes	2022/23 £m
5,771.2	Investment assets	12	5,751.4
(0.7)	Investment liabilities	12	(0.1)
5,770.5			**5,751.3**
25.4	Current Assets	15	26.7
(5.9)	Current Liabilities	15	(3.8)
5,790.0	**Net Assets of the Fund at 31 March**		**5,774.2**

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 83 to 107 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 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (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 2022/23.

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

Contribution Income

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

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

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

Transfers to and from other Schemes

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

Investments

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

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

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

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

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

Fund Account – Expense Items

Benefits Payable

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

Taxation

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

Management Expenses

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

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

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

Net Assets Statement

Investments

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

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

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

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

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

Foreign Currencies

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

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

Cash and Cash Equivalents

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

Financial Assets

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

Financial Liabilities

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

Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of 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.

Additional Voluntary Contributions

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

Contingent Assets and Contingent Liabilities

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

A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities

can also arise in circumstances where a provision would be made, except that is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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

Directly Held Property

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

3. Critical Judgements in Applying Accounting Policies

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

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Private Equity Investments	Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £423m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £21m
Freehold, Leasehold Property and Pooled Property Funds	Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	The carrying value of all property held by the fund is £408m. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments. If this was under or over stated by 5% the value of the investment would increase or decrease by £20m.
Pooled Bond and Debt Funds (including Private Debt Funds)	Pooled bond and debt funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management uses the best data available. Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Pooled bond and debt funds are valued at £510m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £26m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Infrastructure Investments	Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available.	Infrastructure funds are valued at £471m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £24m
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £126m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £6m
Pooled Targeted Return Funds	Pooled targeted return funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management uses the best data available	Pooled targeted return funds are valued at £144m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £7m
Pooled commodity funds	Pooled commodity funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management relies on the best data available	Pooled commodity funds are valued at £21m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £1m

5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 24 May 2024. 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 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known). There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

6. Contributions

2021/22 £m		2022/23 £m
	Employers	
179.9	Normal	197.7
9.2	Deficit Repair	11.3
1.4	Advanced payments for early retirements	1.5
2.0	Additional payments for ill-health retirements	1.5
	Members	
46.5	Normal	49.9
0.5	Purchase of additional benefits	0.3
239.5	**Total**	**262.2**

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:

2021/22 £m		2022/23 £m
59.1	Leicestershire County Council	64.6
170.0	Scheduled bodies	186.6
10.4	Admitted bodies	11.0
239.5	**Total**	**262.2**

7. Transfers In

2021/22 £m		2022/23 £m
9.2	Individual transfers in from other schemes	12.4
0.7	Bulk transfers in from other schemes	0.0
9.9	**Total**	**12.4**

8. Benefits

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

2021/22 £m		2022/23 £m
59.8	Leicestershire County Council	62.4
108.4	Scheduled bodies	118.6
9.0	Admitted bodies	7.4
177.2	**Total**	**188.4**

9. Payments to and on Account of Leavers

2021/22 £m		2022/23 £m
0.8	Refunds to members leaving the scheme	0.9
13.3	Individual transfers to other schemes	12.7
3.3	Bulk transfers to other schemes	0.0
17.4	**Total**	**13.6**

10. Management Expenses

2021/22 £m		2022/23 £m
39.7	Investment Management Expenses (Note 10A)	51.3
1.9	Pension Scheme Administration Costs	2.1
0.9	Oversight and Governance Expenses	1.1
42.5	**Total**	**54.5**

10a. Investment Management Expenses

2021/22 £m		2022/23 £m
23.9	Management Expenses	24.5
5.9	Transaction Costs	8.0
9.9	Performance Related Fees	18.8
39.7	**Total**	**51.3**

11. Investment Income

2021/22 £m		2022/23 £m
1.6	Dividends from equities	1.8
0.2	Income from Government Bonds	0.7
1.2	Income from index-linked securities	1.3
31.8	Income from pooled investment vehicles	29.7
5.7	Net rents from properties	5.9
0.1	Interest on cash or cash equivalents	2.3
3.0	Net Currency Profit / (Loss)	2.1
43.6	**Total**	**43.8**

11a. Property Income

2021/22 £m		2022/23 £m
5.8	Rental income	6.7
(0.1)	Direct operating expenses	(0.8)
5.7	**Total**	**5.9**

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

12. Investments

	Value at 1 April 2022 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2023 £m
Equities	46.0	23.8	(47.3)	(1.6)	20.9
Government Bonds	8.5	90.3	(73.2)	(2.0)	23.5
Index-linked securities	280.8	220.1	(163.7)	(72.2)	265.1
Pooled investment vehicles	5,121.8	435.6	(406.1)	55.6	5,206.9
Properties	120.3	(0.2)	0.0	(18.3)	101.8
Derivatives contracts	4.6	37.2	0.0	(39.1)	2.7
Cash and currency & other investment balances	188.5	0.0	(58.1)	0.0	130.4
Total	**5,770.5**	**806.8**	**(748.4)**	**(77.6)**	**5,751.3**

	Value at 1 April 2021 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2022 £m
Equities	63.1	27.8	(50.9)	6.0	46.0
Government Bonds	3.3	19.0	(13.6)	(0.2)	8.5
Index-linked securities	288.4	178.9	(197.6)	11.1	280.8
Pooled investment vehicles	4,385.2	617.6	(423.0)	542.0	5,121.8
Properties	108.6	0.5	0.0	11.2	120.3
Derivatives contracts	(6.1)	29.4	(0.5)	(18.2)	4.6
Cash and currency and other investment balances	330.1	0.0	(141.6)	0.0	188.5
Total	**5,172.6**	**873.2**	**(827.2)**	**551.9**	**5,770.5**

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:

2021/22 £m		2022/23 £m
890.6	LGPS Central – All World Equity Climate Multi Factor Fund	895.6
513.6	LGPS Central - Global Equity Active Multi Manager Fund	520.6
366.0	Legal and General North America Index Fund	330.8
1,770.2	**Total**	**1,747.0**

2021/22 £m		2022/23 £m
	Equities	
24.0	UK quoted	7.0
1.3	UK unquoted	1.3
20.7	Overseas quoted	12.6
46.0		**20.9**
	Government Bonds	
0.7	UK Government Unquoted	0.7
0.0	UK Government Quoted	3.9
7.8	Overseas Quoted	18.9
8.5		**23.5**
	Index Linked Securities	
269.2	UK quoted	259.9
11.6	Overseas quoted	5.2
280.8		**265.1**
	Pooled investment vehicles (unquoted)	
362.6	Property funds	305.7
433.5	Private equity	423.2
926.6	Bond and debt funds	1,037.2
2,581.3	Equity-based funds	2,516.7
16.2	Commodity-based funds	21.3
132.3	Timberland fund	126.3
184.2	Managed futures fund	151.8
8.4	Protection fund	9.8
150.2	Targeted return fund	144.4
326.5	Infrastructure fund	470.5
5,121.8		**5,206.9**
	Properties	
120.3	**UK (Note 14)**	**101.8**
187.1	**Cash and currency**	**128.7**
	Derivatives contracts	
5.3	Forward foreign exchange assets	2.8
(0.7)	Forward foreign exchange liabilities	(0.1)
4.6	**Sterling Denominated**	**2.7**
1.4	**Other Investment Balances**	**1.7**
5,770.5	**Total Investments**	**5,751.3**

13. Derivatives

The Fund holds derivatives for a number of different reasons. Forward foreign exchange contracts are held to benefit from expected changes in the value of currencies relative to each other. Futures can be held to gain full economic exposure to markets without the requirement to make a full cash investment and can be held to ensure that the Fund's exposures are run efficiently. Options are generally used to express an investment view but can give a much higher economic exposure than is required to be paid for the options – they also ensure that the potential loss is limited to the amount paid for the option.

Forward Foreign Exchange Contracts

All forward foreign exchange contracts are classed as 'Over the Counter' and at the year end the net exposure to forward foreign exchange contracts can be summarised as follows:

Settlement	Currency Bought	Local Value Millions	Currency Sold	Local Value Millions	Asset Value £m	Liability Value £m
Within 1 Month	GBP	4.5	USD	5.6	0.0	0.0
	GBP	1.0	AUD	1.7	0.1	0.0
	GBP	0.4	JPY	58.2	0.0	0.0
	GBP	13.4	EUR	15.2	0.1	0.0
1 - 3 Months	GBP	10.1	AUD	18.6	0.0	0.0
	GBP	12.0	CHF	13.5	0.0	0.0
	GBP	15.1	INR	1,547.0	0.0	0.0
	GBP	21.3	TWD	788.0	0.2	0.0
	GBP	3.6	HKD	34.7	0.0	0.0
	GBP	345.5	USD	426.0	1.6	0.0
	GBP	35.5	CNY	298.3	0.1	0.0
	GBP	4.0	SEK	50.9	0.0	0.0
	GBP	8.3	CAD	14.0	0.0	(0.1)
	USD	(45.8)	GBP	37.7	0.6	0.0
Open forward currency contracts at 31 March 2023					**2.7**	(0.1)
Net forward currency contracts at 31 March 2023					**2.6**	

Prior Period Comparison:

Open forward currency contracts at 31 March 2022	**5.3**	**(0.7)**
Net forward currency contracts at 31 March 2022	**4.6**	

14. Property Investments

31 March 2022 £m		31 March 2023 £m
96.2	Freehold	82.2
17.5	Long Leasehold (over 50 years unexpired)	14.0
6.6	Medium/Short Leasehold (under 50 years unexpired)	5.6
120.3	**Total**	**101.8**

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 Limited at 31st March 2023. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

14A Property Holdings

31 March 2022 £m		31 March 2023 £m
108.6	**Opening Balance**	**120.3**
	Additions:	
0.0	Purchases	0.0
0.5	Subsequent Expenditure	(0.2)
0.0	Disposals	0.0
11.2	Net increase/(decrease) in market Value	(18.3)
120.3	**Total**	**101.8**

15. Current Assets and Liabilities

2021/22 £m		2022/23 £m
20.1	Contributions due from employers	20.8
5.3	Other Debtors	5.9
25.4	**Current assets**	**26.7**
(1.7)	Due to Leicestershire County Council	(0.0)
(2.1)	Fund Management Fees Outstanding	(1.4)
(2.1)	Other Creditors	(2.4)
(5.9)	**Current liabilities**	**(3.8)**
19.5	**Net current assets and liabilities**	**22.9**

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

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 2022 £m	%		At 31 March 2023 £m	%
		Investments Managed by LGPS Central Pool		
890.6	15.4	All World Equity Climate Multi Factor Fund	895.2	15.6
		Global equities multi-manager fund:		
145.8	2.4	*Harris*	145.2	2.5
195.6	3.3	*Schroders*	199.4	3.5
172.3	3.0	*Union*	176.0	3.1
		Global Active MAC Multi Manager Fund		
110.6	2.0	*Western Asset Management*	105.1	1.8
111.4	2.0	BMO	108.3	1.9
		Global Active Investment Grade Corporate Bond MMF		
62.2	1.1	*Neuberger Berman*	73.7	1.3
63.5	1.1	*Fidelity*	73.0	1.3
		Emerging market equities multi-manager fund:		
66.0	1.1	*CTI*	62.0	1.1
62.2	1.1	*UBS*	59.4	1.0
63.1	1.1	*Vontobel*	60.7	1.1
		Global Active Emerging Market Bond MMF		
59.6	1.1	*Amundi*	54.6	0.9
59.9	1.1	*M&G*	56.1	1.0
3.6	0.1	LGPSC Credit Partnership I LP	72.2	1.3
21.7	0.3	LGPS Central Core/Core Plus Infrastructure Partnership LP	58.4	1.0
0.0	0.0	LGPSC Credit Partnership IV LP	30.5	0.5
6.2	0.1	LGPSC Credit Partnership II LP	26.4	0.5
6.6	0.1	LGPS Central PE Primary Partnership 2018 LP	8.2	0.1
0.0	0.0	LGPS Central PE Primary Partnership 2021 LP	0.6	0.0
2,100.9	**36.4**	**Sub Total**	**2,265.0**	**39.5**
		Investments Managed outside of Pool		
975.8	16.9	Legal & General Investment Management Limited	907.5	15.8
394.7	6.8	Adams Street Partners L.P.	382.7	6.7
455.8	7.9	Aegon Asset Management Limited	338.7	5.8
276.6	4.8	LaSalle Limited	244.0	4.3
236.0	4.1	Partners Group Limited	242.8	4.2
131.4	2.3	IFM Investors (UK) Ltd	153.2	2.7
184.2	3.2	Aspect Capital Limited	151.8	2.6
108.7	1.9	JP Morgan Asset Management (UK) Limited	147.4	2.6
150.2	2.6	Pictet Asset Management Limited	144.4	2.5
153.6	2.6	Ruffer LLP	132.2	2.3
132.3	2.3	Stafford Capital Partners Limited	126.3	2.2
135.9	2.5	Colliers Capital UK Limited	115.5	2.0
121.7	2.1	Internally Managed	75.2	1.2
34.2	0.6	Cristofferson, Robb & Company Ltd	69.1	1.2
81.6	1.4	M&G	57.5	1.0
0.0	0.0	DTZ Investment Management	54.8	1.0
39.7	0.7	Kravis Kohlberg Roberts & Co. Ltd	47.9	0.8
25.0	0.4	Infracapital	33.6	0.6
31.4	0.5	Aberdeen Standard Life Limited	30.8	0.5
0.0	0.0	Quinbrook	30.0	0.5
0.8	0.0	Catapult Venture Managers Limited	0.9	0.0
3,669.6	**63.6**	***Sub Total***	**3,486.3**	**60.5**
5,770.5	**100.0**	**Grand Total**	**5,751.3**	**100.0**

17. Custody of Assets

All the Fund's directly held assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. Most of the pooled investment funds are registered with administrators that are independent of the investment manager.

18. Operation and Management of fund

Details of how the Fund is administered and managed are included in the Pension Fund Annual Report.

19. Employing bodies and fund members

A full list of all bodies that have active members within the Fund is included in the in the Pensions fund annual report available from the fund website.

20. Fair value – basis of valuation

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

Description of Asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Market quoted Investments (equities and bonds)	Level 1	Published bid market price ruling on final day of the accounting period	Not required	Not required
Market quoted pooled funds	Level 1	Closing bid price or closing single price at reporting date	Not required	Not required
Forward foreign exchange contracts	Level 1	Market forward exchange rates at reporting date	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not Required
Unquoted Equity (including Private Equity, Infrastructure and Timberland)	Level 3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation, and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets, EBITDA multiple, Revenue multiple, Discounted cash flows, Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Pooled investment vehicles (including targeted return funds, commodity funds and pooled property funds)	Level 3	Stated at bid price quoted or closing single market price	Net asset value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts of the underlying assets.
Freehold and Leasehold Property	Level 3	Stated at open market value based on expert valuation provided by a RICS registered Valuer and in accordance with RICS guidelines.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations

Sensitivity of assets valued at Level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2023 and 31 March 2022.

Asset Type	Value at 31 March 2023 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	1.3	31	1.7	0.9
UK Bonds	0.7	6	0.7	0.7
Pooled property funds	305.7	23	376.0	235.4
Pooled private equity funds	423.2	31	554.4	292.0
Pooled bond and debt funds	510.0	11	566.1	453.9
Pooled commodity funds	21.3	22	26.0	16.6
Pooled targeted return funds	144.4	9	157.4	131.4
Pooled timberland fund	126.3	16	146.5	106.1
Pooled infrastructure fund	470.5	16	545.8	395.2
UK property	101.8	15	117.1	86.5
Total assets available to pay benefits	**2,105.2**		**2,491.7**	**1,718.7**

Asset Type	Value at 31 March 2022	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	1.3	18	1.5	1.1
UK Bonds	0.7	3	0.7	0.7
Pooled property funds	362.6	15	417.0	308.2
Pooled private equity funds	433.5	30	563.6	303.5
Pooled bond and debt funds	374.6	11	415.8	333.4
Pooled commodity funds	16.2	18	19.1	13.3
Pooled targeted return funds	150.2	5	157.7	142.7
Pooled timberland fund	132.3	18	156.1	108.5
Pooled infrastructure fund	326.5	18	385.3	267.7
UK property	120.3	15	138.3	102.3
Total assets available to pay benefits	**1,918.2**		**2,255.1**	**1,581.4**

20a. Valuation of financial instruments and non-financial instruments carried at fair value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of the information used to determine fair values.

Level 1

Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprised quoted equities, quoted fixed interest securities, quoted index-linked securities and quoted pooled investment vehicles where the underlying assets fall into one of these categories.

Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments, hedge funds and infrastructure, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which Leicestershire County Council Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP.

The values of the investment in hedge funds and infrastructure are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value.

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

Values at 31st March 2023	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,446.7	1,069.1	2,105.2	5,621.0
Financial liabilities at fair value	(0.1)	0.0	0.0	(0.1)
Net financial and non-final assets carried at fair value	**2,446.6**	**1,069.1**	**2,105.2**	**5,620.9**

The above table excludes cash and cash equivalents of £128.7m and other investment balances of £1.7m which are carried at amortised cost.

Values at 31st March 2022	Quoted market price	Using observable inputs	With significant unobservable inputs	
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,504.5	1,160.0	1,918.2	5,582.7
Financial liabilities at fair value	(0.7)	0.0	0.0	(0.7)
Net financial and non-final assets carried at fair value	**2,503.8**	**1,160.0**	**1,918.2**	**5,582.0**

The above table excludes cash and cash equivalents of £187.1m and other investment balances of £1.4m which are carried at amortised cost.

20b. Reconciliation of asset held at level 3

	Value at 1 April 2022	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2023
	£m	£m	£m	£m	£m	£m
UK Equities	1.3	0.0	0.0	0.0	0.0	1.3
UK Bonds	0.7	0.0	0.0	0.0	0.0	0.7
Pooled property funds	362.6	10.9	(13.4)	4.3	(58.7)	305.7
Pooled private equity funds	433.5	48.0	(54.0)	25.6	(29.9)	423.2
Pooled bond and debt funds	374.6	180.0	(64.0)	17.8	1.6	510.0
Pooled commodity funds	16.2	20.9	(14.1)	1.2	(2.9)	21.3
Pooled targeted return funds	150.2	0.0	(0.4)	0.4	(5.8)	144.4
Pooled timberland funds	132.3	1.3	(17.8)	3.3	7.2	126.3
Pooled Infrastructure funds	326.5	97.4	(12.5)	8.3	50.8	470.5
UK Property	120.3	(0.2)	0.0	0.0	(18.3)	101.8
Total	**1,918.2**	**358.3**	**(176.2)**	**60.9**	**(56.0)**	**2,105.2**

21. Classification of Financial Instruments

2021/22 £m				2022/23 £m		
Fair value through profit and loss	Assets at amort-ised cost	Liabilities at amort-ised cost		Fair value through profit and loss	Assets at amort-ised cost	Liabilities at amort-ised cost
			Financial Assets			
46.0	0.0	0.0	Equities	20.9	0.0	0.0
8.5	0.0	0.0	Government Bonds	23.5	0.0	0.0
280.8	0.0	0.0	Index-linked securities	265.1	0.0	0.0
5,121.7	0.0	0.0	Pooled investment vehicles	5,207.0	0.0	0.0
5.3	0.0	0.0	Derivatives contracts	2.7	0.0	0.0
0.0	187.1	0.0	Cash and currency	0.0	128.7	0.0
0.0	0.0	0.0	Other investment balances	0.0	0.0	0.0
0.0	0.8	0.0	Sundry debtors and prepayments	0.0	1.1	0.0
5,462.3	**187.9**	**0.0**		**5,519.2**	**129.8**	**0.0**
			Financial Liabilities			
(0.7)	0.0	0.0	Derivatives contracts	(0.1)	0.0	0.0
0.0	0.0	0.0	Other investment balances	0.0	0.0	0.0
0.0	0.0	(4.4)	Sundry Creditors	0.0	0.0	(2.4)
(0.7)	**0.0**	**(4.4)**		**(0.1)**	**0.0**	**(2.4)**

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:

2021/22 £m		2022/23 £m
	Financial Assets	
578.2	Fair value through profit and loss	(58.5)
	Financial Liabilities	
(8.3)	Fair value through profit and loss	(0.7)
569.9	**Total**	**(59.2)**

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

22. External Audit Fee

2021/22 £		2022/23 £
50,193	Payable in respect of external audit*	57,393
50,193	**Total**	**57,393**

*For 2022/23 PSAA and the NAO have indicated that the IAS19 assurance letters form part of the overall audit fee. The above figures have been restated to reflect this.

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 2022/23 reporting period:

Asset type	Potential market movements (+/-)
Cash	0%
Index Linked Gilts (medium)	7%
Fixed Interest Gilts (medium)	6%
Private equity	31%
Property	15%
Commodities	22%
Global Distressed Debt	15%
Emerging Markets Equity	24%
Unlisted Infrastructure Equity	16%
Diversified Growth Fund (high equity beta)	13%
Diversified Growth Fund (medium equity beta)	9%
Multi Asset Credit (sub inv grade)	8%
All World Equity GBP Unhedged	18%
Direct Lending (Private Debt) GBP Hedged	11%
Corporate Short AA Low	4%
Corporate Medium BBB	9%

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 31 March 2023 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	8.3	18	9.8	6.8
Overseas equities	12.6	18	14.9	10.3
UK Corporate Bonds	0.0	0	0.0	0.0
Global Government Bonds	287.9	7	308.1	267.7
Pooled property funds	305.7	23	376.0	235.4
Pooled private equity funds	423.2	31	554.4	292.0
Pooled bond and debt funds	1,037.2	10	1,140.9	933.5
Pooled Protection funds	9.8	9	10.7	8.9
Pooled hedge funds	0.0	0	0.0	0.0
Pooled equity funds	2,517.4	20	3,020.9	2,013.9
Pooled commodity funds	21.3	0	21.3	21.3
Pooled targeted return funds	144.4	9	157.4	131.4
Pooled timberland fund	126.3	16	146.5	106.1
Pooled managed futures fund	151.8	13	171.5	132.1
Pooled infrastructure fund	470.5	16	545.8	395.2
UK property	101.8	15	117.1	86.5
Cash and currency	128.7	0	128.7	128.7
Other investment balances, current assets and current liabilities	4.4	0	4.4	4.4
Total assets available to pay benefits	**5,751.3**		**6,728.4**	**4,774.2**

Asset Type	Value at 31st March 2022 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	25.3	18	29.9	20.7
Overseas equities	20.7	19	24.6	16.8
UK Corporate Bonds	0.7	3	0.7	0.7
Global Government Bonds	288.6	7	308.8	268.4
Pooled property funds	362.6	15	417.0	308.2
Pooled private equity funds	433.5	30	563.6	303.5
Pooled bond and debt funds	926.6	8	1,000.7	852.5
Pooled hedge funds	0.0	18	0.0	0.0
Pooled equity funds	2,581.3	19	3,071.7	2,090.9
Pooled commodity funds	16.2	18	19.1	13.3
Pooled targeted return funds	150.2	5	157.7	142.7
Pooled timberland fund	132.3	18	156.1	108.5
Pooled managed futures fund	184.2	13	208.1	160.3
Pooled infrastructure fund	326.5	18	385.3	267.7
UK property	120.3	15	138.3	102.3
Cash and currency	187.1	2	190.8	183.4
Other investment balances, current assets and current liabilities	14.4	2	14.7	14.1
Total assets available to pay benefits	**5,770.5**		**6,687.1**	**4,854.0**

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 2023 and 31st March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 March 2022 £m	Asset type	As at 31 March 2023 £m
187.1	Cash and Currency	128.7
288.6	Fixed interest securities	287.9
475.7	**Total**	**416.6**

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits, A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Exposure to interest rate risk	Carrying amount as at 31 March 2023	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	128.7	128.7	128.7
Fixed interest securities	287.9	243.9	341.8
Total	**416.6**	**372.6**	**470.5**

Exposure to interest rate risk	Carrying amount as at 31 March 2022	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	187.1	187.1	187.1
Fixed interest securities	288.6	230.0	347.2
Total	**475.7**	**417.1**	**534.3**

Assets exposed to interest rate risk:

Exposure to interest rate risk	Interest receivable 2022/23	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	2.3	3.9	0.7
Fixed interest securities	2.0	2.0	2.0
Total	**4.3**	**5.9**	**2.7**

Exposure to interest rate risk	Interest receivable 2021/22	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	0.1	2.7	0.0
Fixed interest securities	1.4	1.4	1.4
Total	**1.5**	**4.1**	**1.4**

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 25% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2022 and as at the previous period end:

Asset value as at 31 March 2022 £m	Currency exposure – asset type	Asset value as at 31 March 2023 £m
20.7	Overseas equities	12.6
7.8	Overseas government bonds	18.9
11.6	Overseas government index-linked bonds	5.2
874.4	Overseas pooled investment vehicles	951.8
60.9	Overseas cash and currency	30.7
975.4	**Total overseas assets**	**1,019.2**

Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 10% (as measured by one standard deviation).

A 10% 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 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 March 2023	Change to net assets available to pay benefits	
		10%	-10%
	£m	£m	£m
Overseas equities	12.6	13.8	11.4
Overseas government bonds	18.9	20.7	17.1
Overseas government index-linked bonds	5.2	5.7	4.7
Overseas pooled investment vehicles	951.8	1,042.2	861.4
Overseas cash and currency	30.7	33.6	27.8
Total change in assets available	**1,019.2**	**1,116.0**	**922.4**

b) Credit Risk

Credit risk represents the risk that the counterparty to a transaction or financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market value of investments generally reflects an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

Contractual credit risk is represented by the net payment or receipt that remains outstanding, and the cost of replacing the derivative position in the event of a counterparty default. The residual risk is minimal due to various insurance policies held by the exchanges to cover defaulting counterparties.

Credit risk on over-the-counter derivative contracts is minimised as counterparties are recognised financial intermediaries with acceptable credit ratings determined by a recognised ratings agency.

Deposits are not made with banks and financial institutions unless they are rated independently and have a high credit rating. Many of the Fund's investment managers use the money market fund run by the Fund's custodian to deposit any cash within their portfolios, although one manager (Kames Capital) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in an Aberdeen Standard Life Money Market Fund.

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2023 was £129m (31st March 2022: £187m).

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 2023 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1.4bn, which represented 25% of total Fund assets. (31st March 2022: £1.4bn, which represented 24% 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 2023 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 2023.

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance ensures that reputational risk is kept to a minimum.

24. Related Party Transactions

Leicestershire County Council (LCC) is the administering authority for the Local Government Pension Scheme (LGPS) within Leicestershire and is one of the major employers within the scheme. Information regarding key management personnel is provided within the main accounts of Leicestershire County Council. Members and officers of the Council involved in managing the Fund are allowed to be members of the LGPS. All transactions between Leicestershire County Council and the Fund and all benefit payments from the Fund are in accordance with the regulations governing the LGPS. There are no transactions therefore that are made on a different basis from those with non-related parties.

During the reporting period LCC incurred costs of £2.1m in relation to administration and management of the Fund, the full amount has been recharged to the Fund, and is recognised in the expenses outlined in note 10 above. As at the 31st March 2023 less than £10,000 of this was a creditor balance in the Fund accounts. Contributions of £64.6m were receivable from LCC during 2022/23 (£59.1m 2021/22) of which, £5.4m was still outstanding as at 31 March 2023 (£5.8m as at 31 March 2022).

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 2022/23 a total of £1.0m (£0.9m 2021/22) was payable to LGPS Central Ltd for governance, operator and product development fees. Of these £0.5m was a creditor balance at the year end. As at 31 March 2023, £2.3bn of LCC LGPS investments were managed by LGPS Central Ltd (£2.1bn as at 31 March 2022).

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 £2.5m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

At 31st March 2023, the Fund had the following contractual commitments:-

	31-Mar-22 £m	31-Mar-23 £m
Aberdeen Standard Life Capital SOF III Fund	10.3	10.3
Adams Street Partners L.P.	126.0	90.2
Infracapital Greenfield Partners I Fund	8.8	4.3
M & G Debt Opportunities Funds III & IV	6.3	17.9
KKR Global Infrastructure	12.0	7.9
Stafford International Timberland & Carbon Offset Funds	1.2	54.2
LGPS Central PE Primary Partnership 2018 LP	4.2	2.4
LGPSC Credit Partnership IV	0.0	50.0
LGPSC Credit Partnership II LP	96.4	167.1
LGPSC Credit Partnership I LP	53.5	32.8
LGPS Central Core/Core Plus Infrastructure Partnership LP	48.1	49.1
LGPS Central PE Primary Partnership 2021 LP	30.0	29.1
CRC Capital Release Fund V	44.0	0.0
Quinbrook Infrastructure Partners	0.0	19.1
Partners Group Multi Asset Credit VI and VII	20.8	22.3
Total	**461.6**	**556.7**

25A Key Management Personnel

The fund has identified the Director of Corporate Resources (LCC) and the Assistant Director Finance, Strategic Property and Commissioning (LCC) as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the fund. The combined compensation for these officers attributable to Leicestershire County Council Pension Fund* is shown below:

2021/22 £000s		2022/23 £000s
20.9	Short-term benefits	21.5
5.7	Pension contributions	6.1
26.6	**Total**	**27.6**

*The amounts in the table were not recharged to the Fund but are presented as required by the Code of Practice.

26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. During 2022/23 £2.5m in contributions were paid to Prudential. The capital value of all AVC's at year end 31 March 2023 was £18.7m.

27. Policy Statements

The Fund has a number of policy statements which can be found on the LPGS website. They have not been reproduced within the Accounts, as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

Investment Strategy Statement (ISS)
Administration and Communication Strategy
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 2022/23 (or 2021/22). 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 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- where appropriate, ensure fairness between employers and between different generations of tax-payers

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,790 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £283 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

Method

The liabilities were assessed using an accrued benefits method which takes into account pensionable membership up to the valuation date; and makes an allowance for expected future salary growth to retirement or expected earlier date of leaving pensionable membership.

Assumptions

A market-related approach was taken to valuing the liabilities, for consistency with the valuation of the Fund assets at their market value.

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.9% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners*	22.3 years	25.9 years

*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to significant rises in interest rates which reduce the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA

15 June 2023

For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2022/23 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 2023	31 March 2022
Active members (£m)	2,333	4,176
Deferred members (£m)	1,098	1,670
Pensioners (£m)	2,304	2,213
Total (£m)	**5,735**	**8,060**

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £3,217m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £60m.

Financial assumptions

Year ended	31 March 2023	31 March 2022
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.95%	3.20%
Salary Increase Rate	3.45%	3.70%
Discount Rate	4.75%	2.70%

Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.9 years	25.6 years

All other demographic assumptions have been updated since last year and are as per the latest funding valuation of the Fund.

Sensitivity Analysis

CIPFA guidance requires the disclosure of the sensitivity of the results to the methods and assumptions used. The sensitivities regarding the principal assumptions used to measure the obligations are set out below:

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	108
1 year increase in member life expectancy	4%	229
0.1% p.a. increase in the Salary Increase Rate	0%	12
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	98

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2023' which 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.

Prepared by:-

Richard Warden FFA

15 June 2023

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

MR. L. BRECKON
CABINET LEAD MEMBER FOR CORPORATE RESOURCES
24 MAY 2024

THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

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

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

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

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2023 and its income and expenditure for the year ended the same date.

D KEEGAN
DIRECTOR OF CORPORATE RESOURCES
24 MAY 2024

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

To follow

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

To follow

DRAFT Annual Governance Statement (AGS) 2022-23

1. Introduction

Leicestershire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulation and government guidance and that proper standards of stewardship, conduct, probity, and professional competence are set and adhered to by all those representing and working for and with the Council. This ensures that the services provided to the people of Leicestershire are properly administered and delivered economically, efficiently, and effectively. In discharging this responsibility, the Council must have in place a solid foundation of good governance and sound financial management.

Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control. The preparation and publication of an AGS, in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' (2016), 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.

The draft AGS 2022-23 is scheduled to be published with the draft Statement of Accounts by the end of June 2023.

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 Chartered Institute of Public Finance and Accountancy (CIPFA) 'Delivering Good Governance in Local Government; Framework (2016)' sets the standard for local authority governance in the UK and the Council is committed to the principles of good corporate governance contained in the Framework.

The Council has developed, adopted, and continued to maintain a Local Code of Corporate Governance which sets out the way the Council meets the principles outlined in the Framework. The Code can be found on the LCC internet.

3. Leicestershire's Vision and Outcomes

The County Council's Annual Delivery Report and Performance Compendium 2022 is part of the Council's policy framework and, as such, required the approval of the full County Council at its meeting on 7 December 2022. The documents provide performance data which will help the Council and its partners to ensure services continue to meet standards, provide value for money and that outcomes are being achieved for local people. It is best practice in performance management, and part of the Council's Internal Governance Framework, to undertake a review of overall progress at the end of the year and to benchmark performance against comparable authorities. It is also good practice to produce an annual performance report and ensure that it is scrutinised, transparent, and made publicly available.

The Annual Delivery Report described delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. It largely focused on performance against County Council priorities for community outcomes as set out in its Strategic Plan 2022-26 and other main service strategies. The Report also included information on the financial sustainability and the emergent implications for service demand and outcomes. The Performance Compendium outlined the inequity in national funding and the Council's Fair Funding proposals, transformation requirements and national and local service pressures, as well as detailed comparative performance metrics.

The Strategic Plan (2022-26), approved by the County Council on 18 May 2022, provides an important strategic planning framework for the Council which aims to ensure that all service plans and strategies contribute to delivery of the Council's vision for Leicestershire. It has the following five priority outcome themes: -

Our Vision: **An inclusive county in which active communities, great connections and greener living enables everyone to prosper, be happy and healthy.**				
Strong Economy, Transport & Infrastructure	**Improving Opportunities**	**Keeping People Safe & Well**	**Great Communities**	**Clean, Green Future**
Leicestershire has a productive, inclusive, and sustainable economy and infrastructure which meets the demands of a growing population and economy.	Every child gets the best start for life with access to a good quality education and everyone has the opportunities they need to fulfil their potential	The people of Leicestershire are safe and protected from harm and have the opportunities and support they need to take control of their health and wellbeing	Leicestershire has thriving, inclusive communities in which people support each other and participate in service design and delivery	The environment is protected and enhanced, and we tackle climate change, biodiversity loss and unsustainable resource usage

4. What the Annual Governance Statement Tells You

The AGS reports on the extent to which the Council has met the requirements of the Local Code of Corporate Governance and the controls it has in place to manage[1] risks of failure in delivering its outcomes. The main aim of the AGS is to provide the reader with confidence that the Council has an effective system of internal control that manages risks to a reasonable level.

The 2022/23 AGS has been constructed by undertaking: -

- A review of the effectiveness of the system of internal control
- Reviewing other forms of assurance
- Action taken on governance issues reported in the 2021/22 AGS
- Significant governance issues arising during 2022/23
- Future challenges

5. Review of Effectiveness of the System of Internal Control

To ensure the 2022/23 AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure conformance (or otherwise) with the seven core principles of the Local Code of Corporate Governance.

A senior officers group meets to review the compilation of the AGS. The group comprises

- Director of Law & Governance (the Council's Statutory Monitoring Officer)
- Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
- Head of Democratic Services
- Assistant Chief Executive
- Assistant Director – Assistant Director Finance, Strategic Property & Commissioning
- Assistant Director – Corporate Services
- Head of Internal Audit & Assurance Service

The group has determined that progressing areas identified for development, should be the responsibility of designated Directors and Heads of Service during 2022/23. A review of progressing the implementation of previous years planned developments will be undertaken. Any previous year's developments that were not carried forward into 2022/23 or reported through the Corporate Risk Register process will continue to be monitored.

6. Other Forms of Assurance

The Framework provides examples of policies, systems, and processes that an authority should have in place. Using this guidance, the Council can provide assurance that it has effective governance arrangements. The Council has an approved Local Code of Corporate Governance, and this provides examples of good governance in practice.

[1] 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 Control Environment of Leicestershire County Council

The Council's Constitution includes Finance and Contract Procedure Rules, a general Scheme of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices, and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Council.

Internal Audit Service

The Council's Head of Internal Audit & Assurance Service (HoIAS) ensures that internal audit arrangements conform to the requirements of the Public Sector Internal Audit Standards (the PSIAS) revised in 2017. The PSIAS require an external quality assessment every 5 years and the next is planned for the Spring of 2024. The HoIAS also conforms to the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019).

The HoIAS works with the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service (IAS) so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the Council's control environment.

There is an Internal Audit Charter mandating the purpose, authority, and responsibility of the internal audit activity. The Charter allows the HoIAS to also be responsible for the administration and development of, and reporting on, the Council's risk management framework. Whilst this does present a potential impairment to independence and objectivity, the HoIAS arranges for any reviews 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 and good progress continues to be made against the recommendations. The next review is planned in the autumn of 2024.

To meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of the Council's control environment i.e. its framework of governance, risk management and control, the HoIAS arranges a risk-based plan of audits on a six-monthly basis.

Internal Audit and Assurance reports often contain recommendations for improvements. The number, type and importance of recommendations determines how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined assessment of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other assurance providers), facilitate the HoIAS in forming the annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment. The HoIAS presented his annual report to Corporate Governance Committee on 26 May 2023 and his opinion read: -

Whilst the IAS staff group encountered some long unplanned absences, there was considerably less disruption from Covid-19, the benefit from pulling back from academy provision was noticeable and overall the resource base was at its strongest for a number of years. The HoIAS considers there was sufficient input across the control environment to be able to give a full opinion. Assurance was supplemented by good relationships with senior management and transparency over reporting significant governance issues in the provisional draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Three audits returning partial assurance ratings were reported to Committee during the year and there were some minor fraud investigations, but management accepted and responded to recommendations. Overall, reasonable assurance is given that the Council's control environment has remained adequate and effective.

Risk Management

The Corporate Governance Committee has a responsibility to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid decision making relating to the development of services and the transformation of the wider organisation. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

The Council's Risk Management Policy and Strategy (which provide the framework within which risks can be managed) were reviewed, revised, and approved by the County Council in February 2023.

Overview and Scrutiny

The cross-party overview and scrutiny function monitors the County Council's financial performance and performance against targets in the Strategic Plan and other related plans on a regular basis. This work is carried out by the Scrutiny Commission and five Overview and Scrutiny Committees which each has responsibility for scrutiny of a particular service area of the Council.

The key areas of activity undertaken by the Scrutiny Commission and the five service-related Overview and Scrutiny Committees during the year included: -

- Provisional Revenue and Capital Outturn 2021-22
- The budget and regular Medium Term Financial Strategy performance monitoring updates
- Annual Reports for 2021-22 on the Commercial Strategy, Corporate Complaints and Compliments, Corporate Delivery and Performance Compendium, the work and performance of the Leicester and Leicestershire Enterprise Partnership and East Midlands Shared Services.
- Leicestershire County Council Community Safety Strategy 2022-26
- Leicestershire Domestic Abuse Reduction Strategy 2022-25
- Corporate Asset Investment Fund Performance for 2021-22 and the Strategy for 2023 - 27
- Corporate Asset Management Plan 2022-26
- SEND Services, SEND Transport and related Finance Pressures
- School admissions
- Corporate Parenting
- Child Criminal Exploitation
- Learning Disability Employment Performance
- Commissioning and Procurement of Homecare Services and the Procurement of Community Life Choices
- Leicester, Leicestershire and Rutland Carers Strategy 2022-25
- Net Zero
- Tree Management and Water Management performance and challenges
- Healthy Child Programme
- Highways and Transport Cabinet Works Programme
- North and Eastern Melton Mowbray Distributor Road Cost Implications
- Leicestershire Highway Design Guide Refresh
- Primary Health Care pressures post Covid-19
- Urgent and Emergency Care performance
- Cancer Performance

The challenge provided by the overview and scrutiny function has continued to be crucial in shaping Council policy and helping to ensure the delivery of efficient, high-quality services. An annual report which summarises the work undertaken during 2022/23 will be published in summer 2023.

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, the decisions and minutes of the Member Conduct Panel which meets as required are available on the internet.

The Monitoring Officer submits an annual report to the Corporate Governance Committee on the operation of the Members' Code of Conduct and arrangements for dealing with complaints.

Since July 2021 there have been eight complaints (relating to six members) received by the Monitoring Officer under the Members' Code of Conduct. These complaints were resolved as set out below:

- 3 complaints (2 in relation to one member from the same complainant) were considered to be outside of the scope of the Code;
- 2 complaints did not meet the threshold for further investigation as set out in the scope of the code of conduct
- 2 complaints were resolved informally
- 1 complaint was considered by the Member Conduct Panel and was subject to an independent investigation following which there was no further action in light of a finding that there had been no breach of the Code.

During 2022/23 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 2022/23 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy
- Indicative External Audit Plan and Audit Risk Assessment 2021/22), External Audit of Statement of Accounts, Pension Fund Accounts and Annual Governance Statement 2021/22; External Audit Plan 2022/23
- Quarterly Treasury Management updates, Changes to Annual Investment Strategy to add to list of Acceptable Investments, Treasury Management Strategy Statement and Annual Investment Strategy 2023/24
- Proposed amendments to the Contract Procedure Rules, and contract exceptions for the period 1 July 2021 to 30 June 2022
- Internal Audit Service progress reports including status of High Importance recommendations; planning for an External Quality Assessment
- East Midlands Shared Service – Internal Audit work undertaken by Nottingham City Council
- Local Code of Corporate Governance
- Governance Arrangements for External Bodies
- Government driven developments in local (external) audit arrangements and update reports
- Revised Members' Planning Code of Good Practice.
- CIPFA Financial Management Code 2021/22
- CIPFA Audit Committee Guidance
- Annual Reports:
    - Treasury Management Annual Report 2021/22
    - Internal Audit Service Annual Report 2021/22 including an opinion on the control environment
    - Annual Report on the Operation of the Members' Code of Conduct 2021/22
    - Clinical Governance Annual Report 2021/22
    - Local Government and Social Care Ombudsman Annual Review 2021/22 and Update on Corporate Complaints and Freedom of Information Requests
    - Resilience and Business Continuity Annual Update

- Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016 for the period 1 January to 31 December 2022

At its meeting in November 2022, the Committee considered revised membership and terms of reference for the Corporate Governance Committee contained in Part 2 and Part 3 of the Council's Constitution respectively. It specifically supported proposals to appointment up to two Independent Members to the Committee in accordance with CIPFA best practice guidance. This was subsequently supported by the Constitution Committee and approved by the County Council in December 2022. An appointment process began in March with an aim to interview and appoint two Independent Members in May 2023, such appointments being subject to approval by the County Council at its meeting in July 2023.

The Chief Financial Officer (CFO)

The Director of Corporate Resources undertakes the statutory role of the Chief Financial Officer (CFO) for the Council. The CFO conforms to the governance requirements and core responsibilities of two CIPFA Statements on the Role of the Chief Financial Officer; in Local Government (2016) and in the Local Government Pension Scheme (2014). The CFO is a key member of the Corporate Management Team and is able to bring influence to bear on all material business decisions, ensuring that immediate and long-term implications, opportunities, and risks, are fully considered and in alignment with the MTFS and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management across the Council.

The Financial Management Code

The CIPFA Financial Management Code translates the principles of good financial management into seven Financial Management Standards. These standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

In January 2023, the Council completed a self-assessment of its compliance with the requirements of the Financial Management Code for 2021-22. The assessment showed that the County Council met the requirements of the Code with some small improvements required. The Internal Audit Service undertook a high-level review of the self-assessment against the Code, and a copy of the assessment was reported to the Corporate Governance Committee in January 2023.

Local (External) Audit

The Council's local (external) auditors, Grant Thornton LLP, presented the findings from their planned audit work to 'those charged with governance' at the Corporate Governance Committee on 16 March 2023.

The Auditor's Annual Report (AAR)

The Auditor's Annual Report (AAR) is a detailed review of the value for money (VfM) arrangements at the Council. The report covered five areas. These were financial sustainability; governance; improving economy, efficiency, and effectiveness, the opinion on the financial statements and pension fund arrangements. Overall, the auditor's report was very positive. The external auditor concluded that the Council has a good track record of sound financial management, had appropriate arrangements in place to manage the financial resilience risks, has a clear and documented governance framework in place and a well-developed performance management framework. No significant weaknesses were reported.

Opinion on the Financial Statements

The auditor gave an 'unqualified' opinion on the 2021/22 financial statements for the County Council and its Pension Fund on 16 March 2023 meaning that the external auditor is satisfied that the financial statements present a true and fair view.

Annual Audit Plan for the 2022/23 Accounts

Informing the Audit Risk Assessment and Audit Plan was reported to Corporate Governance Committee at its meeting on 26 May 2023.

The Monitoring Officer

The Director of Law & Governance undertakes the statutory role of Monitoring Officer (MO) for the Council. The MO has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the MO any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Council and/or Executive accordingly,
- ensuring that decisions taken are in accordance with the Council's budget and its Policy Framework,
- providing advice on the scope of powers and authority to take decisions.

In discharging this role, the MO is supported by the Deputy Monitoring Officer and officers within the Legal and Democratic Services Teams.

Senior Information Risk Owner

The Assistant Director - Corporate Services undertakes the role of Senior Information Risk Owner (SIRO) for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk. Sound governance is in place, with regular update and exception reports to the Corporate Management Team. The responsibilities of a SIRO include:

- owning the Council's policies, procedures, and processes around information risk, ensuring they are implemented consistently across the Council.
- ensuring compliance with all other policies and procedures relating to information and data.
- acting as a champion on information risk and report to Chief Officers on the effectiveness of risk management.
- leading and fostering a culture that values, protects, and uses information for the success of the Council and benefit of our citizens.
- ensuring that information owners understand their roles.
- ensuring that the Council has a plan to monitor and improve information and data governance.
- maintaining expertise in Data Protection and other legislation that impact on Information and Data Governance; and
- owning the Council's information incident management framework

Commercial and Collaborative Arrangements

Commercial

ESPO is constituted as a joint committee (of six local authorities) set up to provide a comprehensive professional purchasing service to public sector bodies. It is overseen by a Management Committee which has overall strategic responsibility for ESPO. At its meeting on 22 March 2023, the Committee approved changes to the Finance and Audit Subcommittee (the Subcommittee) Terms of Reference, and the Risk Management Policy which provided delegated powers over Internal Audit, External Audit, Risk Management, and the Annual Governance Statements. Internal audit is undertaken by the Council's Internal Audit & Assurance Service as part of the servicing agreement. Like the County Council, the HoIAS presents an annual report to the Subcommittee at its meeting in October. The annual report incorporates the annual internal audit opinion, which for 2022-23 was as follows:

No significant governance, risk management or internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective. **ESPO Trading Ltd** ESPO's power to trade is restricted to a limited number of public bodies. The establishment of a trading company allows ESPO (Trading) to trade with other organisations – e.g. Care

Homes, Nurseries, Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

Eduzone is a private limited company that supplies Early Years educational products and Early Years furniture to schools, nurseries, and child minders. ESPO acquired the company following the necessary due diligence in 2018. Eduzone has now been incorporated into ESPO Trading Limited.

The **Investing in Leicestershire Programme** (formerly the Corporate Asset Investment Fund (CAIF) Strategy 2022/2026) guides the Council's investments in assets not directly used for the delivery of its services, but which contribute to the outcomes of the Council's Strategic Plan and financial return. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports on a quarterly basis. The CAIF Annual Report for 2021/22 was received by the Scrutiny Commission on 7 September 2022. The CAIF Strategy has been revised to be compliant with the updated CIPFA Code from 2023/24. In light of the CIPFA Code, the County Council will continue to ensure that it will only undertake investments where they are directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. This includes service delivery, housing, and regeneration of areas, which addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Renewable energy generation is also included as a reduction in carbon emissions is a stated aim of the County Council as part of its Declaration of a Climate emergency in May 2019.

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. The quarterly financial and performance reports include the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies. The Annual Report on the Commercial Strategy 2021/22 was received by the Cabinet on 24 June 2022.

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.

At the Joint Committee on 18 March 2024, it was reported that, 'On the basis of audit work undertaken during the 2022-23 financial year, the Head of Internal Audit (HoIA) at Nottingham City Council concludes that a "limited" level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered. Whilst the direction of travel for the four audits, from 2021/22 to 22/23 has varied, the overall movement over the year is not sufficient to warrant a "moderate" level of assurance. That said, we would fully expect the opinion to improve for 2023/24'.

The position with Nottingham City Council issuing a s114 notice and the appointment of Government Commissioners is being monitored.

Local Pension Fund

Leicestershire County Council is a scheme manager as defined under the Public Service Pensions Act 2013 and any associated legislation. The County Council has delegated the responsibility for decisions relating to the investment of the Fund's assets to the Local Pension Committee. Membership consists of Councillors from the County, City and District Council together with one university representative and non-voting employee representatives.

The Local Pension Committee's principle aim is to consider pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities.

On 3 March 2023, the Local Pension Committee approved a Net Zero Climate Strategy.

The Local Government Pension Scheme (LGPS) Regulations require that Leicestershire County Council in its capacity as Administering Authority establishes a Local Pension Board. The purpose of the Board is to assist the Authority in securing compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, the requirements imposed by the Pension Regulator in relation to the LGPS and to ensure the effective and efficient governance and administration of the LGPS.

The Local Pension Board comprises of employer representatives who are all elected members from the County Council and Leicester City Council and employee representatives. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

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 eight 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 £30bn which represents the assets of over 2,000 employing bodies which help to pay for the costs of pensions when they became payable.

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.

Member 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.

An annual update on Internal Audit arrangements was provided to the Council's Local Pension Board in April 2023. This included a summary of work completed during 2022/2023 and work planned for 2023/2024. The internal audit functions of the eight LGPS owners have formed an Internal Audit Working Group (IAWG) and agreed a four-year internal audit plan of work from 2019/20 to 2022/23. Audits for the final year of the four-year plan, i.e. 2022/23 audits were assigned to Cheshire West & Chester (Governance) and Derbyshire County Council (Investments). Following completion of these, the four-year cycle will re-start.

In May 2023, the Chief Executive Officer resigned. The Deputy Chief Executive Officer will become Interim CEO while the Board searches for a permanent successor.

Active Together

The Director of Public Health represents the Council and is Chair of the Active Together Board of non-executive directors. There are defined terms of reference which set out the governance arrangements and key tasks of the Board. Underneath the Board is a number of subgroups (drawn from the Board and co-opted others) to provide additional scrutiny of areas of the business.

One of those sub-groups in the 'Business, Oversight and Audit' Committee which oversees business planning, financial and risk reporting, and reports to the Board quarterly. The Assistant Director - Delivery in Public Health is a member of this committee.

Leicester and Leicestershire Enterprise Partnership (LLEP)

The LLEP is a private company limited by guarantee (Company No: 11932434).

LEPs are non-statutory bodies and as such require an Accountable Body to manage funding from Government. Leicester City Council is the Accountable Body to the LLEP.
The Accountable Body, through its Section 151 Officer, is responsible for ensuring that statutory requirements are met in resource allocation decisions and that the public interest is protected. It provides financial and legal support and takes the ultimate legal and financial responsibility for the LLEP's activities.

Mr P Bedford CC represents Leicestershire County Council on the LLEP Board of Directors.

In October 2023, the LLEP held its AGM and produced its Annual Report 2022/2023. In September 2021 it reviewed its Local Assurance Framework to ensure compliance with a refreshed National Assurance Framework.

The Chief Executive left in March 2022 and the role was held vacant pending greater clarity on the future role of the LLEP. The new CEO was appointed in March 2023 and took up post in May 2023.

At the end of March 2022, the Government issued guidance on integrating Local Enterprise Partnerships into local democratic institutions which it had introduced in its Levelling Up White Paper and has subsequently consulted stakeholders on ending Government funding to LEPs from the end of March 2024. The decision to end funding was confirmed by the Government in August 2023 and a Transition Board, set up by the LLEP and including a Council officer, is overseeing the transfer of LLEP functions and funds on 1/4/24 to the two upper tier local authorities (Leicester City Council and the County Council) who are considering future governance and business voice arrangements together with delivery priorities. It has been agreed that Leicester City Council will continue as the accountable body. Discussions are also underway to include at a later date Rutland Council in the new arrangements.

The Chair of the Board of Directors stepped down in April 2022, the two vice-chairs are acting as Co-Chairs and a recruitment process for a new chair is currently underway.

The 2021/22 Annual Performance Review was assessed by the Department for Levelling Up, Housing and Communities (DLUHC). The DLUHC assessment found that the Government's expectation for governance and Strategic Impact had been met. However, concerns were identified in Delivery, essentially around delays to schemes allocated funding from the Getting Building Fund. These schemes continue to be delivered in 2022/23.

Integrated Care Systems (ICS) & Integrated Care Partnership (ICP)

ICSs are partnerships that bring together NHS organisations, and upper tier local authorities across NHS footprint of Leicester, Leicestershire, and Rutland (LLR).

The ICP is a statutory committee jointly formed between the Integrated Care Board (ICB) and all upper-tier local authorities that fall within the ICS area. LCC membership includes the Lead member for Health and Wellbeing, the Director of Public Health, the Director of Adult Social Services and the Director of Children and Family Services.

The ICP is responsible for producing an integrated care strategy on how to meet the health and wellbeing needs of the population in the ICS area.

The ICB is also a statutory body and is a successor to the 3 Clinical Commissioning Groups (CCGs). The Director of Public Health represents LCC on the ICB, though in an ex officio capacity not as a representative of the Council as a decision-making body, in accordance with NHS requirements.

In June 2023, the Government published a response to the House of Commons Health and Social Care Committee's report on 'ICSs: autonomy and accountability'. As a result it is likely that the boundaries of the LLR ICS may change in a 'strategic alliance' with a neighbouring area.

Leicestershire Health and Wellbeing Board

Health and Wellbeing Board acts as a forum in which key leaders from the local health and care system work together to improve the health and wellbeing of the local population and plan how to tackle inequalities in health. This is best achieved by a range of organisations working together and as a result, the Leicestershire Health and Wellbeing Board brings together key organisations: the ICB, District Representatives, NHS England, University Hospitals of Leicester NHS Trust, Leicestershire Partnership NHS Trust, Leicestershire Police, Office of the Police and Crime Commissioner and Healthwatch to ensure patients and service users voices are heard. The Health and Wellbeing Board is chaired by the Council's cabinet lead for Health and the other Council representatives are:

- Lead Members for Adult Social Care & Children & Young People
- The Chief Executive
- The Directors of Public Health, Adults & Communities and Children & Family Services

The Health and Wellbeing Board leads and directs work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services by: -

- Identifying needs and priorities across Leicestershire (the Place), and publishing and refreshing the Leicestershire Joint Strategic Needs Assessment (JSNA) and Pharmaceutical Needs Assessment so that future commissioning/policy decisions and priorities are based on evidence.
- Preparing and publishing a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning group(s) so that work is done across the Place to meet the needs identified in the JSNA in a co-ordinated, planned, and measurable way
- In conjunction with all partners, communicating and engaging with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their personal health and wellbeing
- Approving the Better Care Fund (BCF) Plan including a pooled budget used to transform local services, so people are provided with better integrated care and support together with proposals for its implementation
- Having oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services within the Place.

The BCF is reported quarterly regionally and nationally via NHS England (NHSE) and the Local Government Association (LGA) via a nationally prescribed template which is approved quarterly by the Board, a process supported operationally by the Integration Executive. The annual BCF plan is also submitted via NHSE/LGA regionally and nationally and is subject to a prescribed national assurance process against a number of national conditions, metrics, and financial rules.

The 2022/23 BCF Policy Framework was published in July 2022 and updated in November 2022.

The annual submission for the 2022/23 financial year was approved by the Health and Wellbeing Board at its meeting on 1 December 2022, subsequent to its submission to NHS England which was done using the Chief Executive's delegated powers in order to meet the deadline submission date of 26 September 2022 (The Integration Executive, a subgroup of the Health and Wellbeing Board with responsibility for the day to day delivery of the BCF, considered the draft BCF Plan 2022/23 at its meeting on the 6 September 2022 and supported its contents). The completed year end BCF 2021-22 template, which demonstrates progress against integration priorities and BCF delivery, was approved for submission to NHS England by the Health and Wellbeing Board at its meeting on 26 May 2022. The work of the Health and Wellbeing Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups (CCGS).

East Midlands Freeport

Freeports are a flagship Government programme that will play an important part in the UK's post-COVID economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment, and prosperity to some of the most deprived communities, with targeted and effective support. The East Midlands Freeport (EMF) is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties. The EMF brings together a mix of industries, businesses, and other collaborating partners, combining public and private sector expertise.

Work to develop a Business Case began in 2021 and tax site designation was awarded by HM Treasury in March 2022. The Full Business Case was submitted to Government in mid-April 2022 and full designation has been approved. The Cabinet approved the County Council becoming a member of the newly incorporated Freeport Company, with the Leader as a nominated member to serve on the Board (now Mr Breckon), and to continue the role of lead authority and accountable body for the Freeport. In June 2022, a non-executive Chair of Board was appointed. A Chief Executive started in post in March 2023 and has put together a small team to implement delivery of the Business Plan objectives of the Freeport (EMF), working with the Chair and Board and co-ordinating with stakeholders, business partners and Government Departments to ensure the EMF fulfils its ambitions and obligations.

East Midlands Development Company (DevCo)

The County Council is a Board member of the DevCo, a company limited by guarantee from April 2021. Its ambition is to be a locally led urban development corporation or a mayoral development corporation, for which there is provision in the Levelling Up and Regeneration Act. The County Council is one of five member authorities / owners of the DevCo. Separately, the County Council is concerned to ensure that the DevCo's Members' Agreement and Grant Agreement are correctly followed, which it does not believe has been the case. In that connection, exempt reports have been made to the Cabinet (May and September 2022 and June 2023) while the Council's membership has been paused. The Council is still waiting for a satisfactory response to its concerns which have been fully set out to the DevCo. The Council's concerns have been noted by our external auditor. The DevCo does not have an accountable body. The DevCo Board is now considering options as to its future, including disbandment or hibernation until the outcome of the 'East Midlands' mayoral election in May 2024 is known.

Environmental & Waste Collaborations

The County Council through the Environment and Transport Department is partner in a number of environment and waste collaborations and acts as Key Partner in

- Charnwood Forest Regional Park Board - a partnership of local authorities, agencies, user groups and land management organisations, working to manage and promote the unique cultural and heritage features of the area;
- Charnwood Forest Landscape Partnership Scheme Steering Group - an officer led group that oversees the delivery of the National Lottery Heritage Fund funded Landscape Partnership Scheme;
- Air Quality and Health Partnership - Led by Public Health and involving all districts. Responsible for overseeing delivery of the Action Plan to address air quality issues across the county;
- Local Nature Recovery Strategy Steering Group - an officer led group with Leicestershire County Council acting as the 'responsible authority for the development of a Local Nature Recovery Strategy for Leicestershire, Leicester and Rutland as part of a new statutory duty set out in the Environment Act 2021

Enhanced Bus Partnership

This is a partnership between the County Council and the bus operators and is enabled by the 2017 Bus Services Act and Transport Act 2000, so has a legal status, but is not mandatory. Local authorities which wanted to bid for funding had to establish a partnership and therefore every top tier authority has one (unless they have bus franchising).

7. Action Taken on Governance Issues Reported in the 2021/22 AGS

The Council has defined a 'significant governance issue' as one that is intended to reflect something that has happened in the year, or which is currently being experienced and meeting any of the following criteria:

A. The issue has seriously prejudiced or prevented achievement of a principal objective of the authority;
B. The issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business;
C. The issue has led to a material impact on the accounts;
D. Corporate Governance Committee has advised that the issue should be considered as a 'significant' issue for reporting in the AGS;
E. The Head of Internal Audit Service has reported on the issue as significant, for reporting in the Annual Governance Statement, in the annual opinion on the internal control environment;
F. The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
G. The issue has resulted in formal action being taken by the Chief Financial Officer and/or Monitoring Officer;
H. The issue has resulted in a Legal breach;
I. The issue prompts intervention from a regulator.

Progress that has been made in dealing with the governance issues that were identified in the 2021/22 final AGS are detailed below:

Issue /Area for Improvement (AGS) 2021/22	Lead Officer and Date	Progress during 2022/23
SEN Budget Deficit The High Needs Block of the Dedicated Schools Grant remains under significant pressure with an in-year deficit of £10.9m for 2022/23 and a cumulative deficit of £39.7m which is forecast to increase significantly in future years. Increase in demand is also resulting in higher expenditure on the SEND home to school transport budget. The Authority is also experiencing an increasing number of appeals and complaints demand for Leicestershire is participating in the Department for Education's Delivering Better Value in SEND programme. The Authority has entered into a Strategic Partner contract with Newton Europe to deliver the Transforming SEND and Inclusion in Leicestershire (TSIL) programme to create a sustainable SEND system and will align with the DBV programme providing expertise on SEND issues.	Director of Children & Family Services Review April 2023	• 2022/23 in year deficit reduced to £6.7m with a cumulative deficit of £35.5m. • The Department for Education, through the Delivering Better Value in SEND programme has provided funding of £1m to assist in delivering sustainable change in SEN provision. • The Authority continues to work with Newton Europe in delivering the TSIL programme. • Updates on the issue are received by the Corporate Governance Committee within the Risk Management Update reports
Firs Farm – environmental damage and rectification A farm estate owned and let by the Council where large amounts of potentially	Director of Corporate Resources Review April 2023	• Following the evaluation of tenders, a contract was awarded to a leading remediation specialist company at a cost of just over £2.1m plus a £50k contingency to deal with the slurry pit on site. It is hoped that this latter amount will not be needed

Issue /Area for Improvement (AGS) 2021/22	Lead Officer and Date	Progress during 2022/23
hazardous waste had been allegedly left by a former tenant. A remediation strategy for the farm has been agreed with the Environment Agency. The Council has tendered for the removal and proper disposal of the waste on the farm and reinstatement of the farmland which could incur costs of over £2.4m. The Council's insurance does not cover the type of environmental or illegal waste disposal undertaken on the farm.		after testing is carried out. The evaluation panel was satisfied the tender meets the Council's requirements. The Environment Agency has been consulted throughout the process. • Update: January 2024. Contracted works on site are largely complete, with only a small volume of waste awaiting Environment Agency problematic waste approval. The clearance and remediation contract has come in on budget. The Environment Agency criminal investigation continues. Awaiting clarification from the Animal and Plant Health Agency (APHA) on slurry pit waste. The farmland is currently being marketed for rental for an initial two year tenancy.
Early Years Budget Deficit A £4.2m deficit on the Early Years' budget was identified at the end of the 2021/22 financial year due in part to errors in the completion of the Council's annual Early Years census) since 2020 leading to reduced grant payment to the Council. Representations with the DfE to have the census corrected have proven unsuccessful, and alternative plans are being put into place to recover the deficit. Internal Audit work identified a number of lessons learned and recommendations for process improvement will be shared with management for consideration and implementation.	Director of Children & Family Services Review April 2023	• The 2023/24 uplift for providers has been set so that the deficit will be gradually reduced over 4 years • All providers who had an initial payment for the Spring term 2023 returned their January Census data which was verified across services • Before the January data was submitted all data was cross referenced to check for anomalies and errors • An Early Years Steering Group has been implemented, with appropriate representation from CFS/Corporate Finance and TU to look at an 'as is' and 'to be' process with the intention to further strengthen the process
Local Government & Social Care Ombudsman (LGSCO) report – Social Care Assessments In September 2022, the Local Government and Social Care Ombudsman (LGSCO) issued a report following its investigation into a complaint that the Council had failed to properly undertake a social care assessment and provide support for eligible care needs.	Director of Adults & Communities March 2023	• All recommendations completed and reported to LGSCO in February 2023. • Notification received from LGSCO that they were satisfied with response.

8. Significant Governance Issues Arising During 2022/23

This Annual Governance Statement (AGS) identifies that the Council has effective arrangements in place, but that its officers recognise the need to continuously review, adapt and develop governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed (Annex), it is important to recognise that there are two significant matters set out in the table below.

Significant Governance Issue 2022/23	Lead Officer and Date
School Admissions LCC has a duty to provide details of school places allocated on "National Offer Day" (March 1st for primary to secondary transfers). This year was the first time this process was undertaken with the new Synergy system, which holds and processes the applications in conjunction with a parent portal. There were some difficulties in establishing a new process with this system. Parents were told, as in previous years, that offer information would be available from midnight. As a result of some technical configuration issues the information was not available on the portal. In addition to this, for a short period the portal was also unavailable. On the morning of 1st March, parents were sent a letter with the details of school place offer. Apart from a very small number of parents, where information had not been exchanged with a neighbouring authority all parents received their offers on March 1st, however the standard of communication did not meet expectations. The next phase transfer round (first time primary applications) ran smoothly. A longer-term clear process map with monitoring and checkpoints was executed and additional specialist IT support was employed.	Director of Children & Family Services Issue Closed
SEND OfSTED re-visit Ofsted and CQC undertook the Leicestershire Local Area SEND Inspection in February 2020 and found a number of strengths and areas for improvement, with two areas identified within a Written Statement of Action. These two areas related to the lack of an overall SEND Commissioning Strategy across the partnership and the need to improve the Quality of EHC Plans. The SEND reinspection took place from 14 to 16 November 2022 and focused only on the two areas identified for the Written Statement of Action. The report, dated 13 December 2022, found that sufficient progress had been made with regards to Joint Commissioning Strategy for SEND but that further progress is needed regarding the Quality of EHC Plans. The inspection team (again made up of Ofsted and CQC) did find that improvements had been made in newer plans but were concerned that too many plans remained in the pre-2020 format and also that timeliness for the completion of plans had slipped, affecting parental confidence in the system. Following the outcome of the revisit the Local Area (Local Authority and the Integrated Care Board (ICB) produce an Accelerated Progress Plan (APP) to set out how improvements in quality of education health and care plans would be made. The APP focusses upon three areas identified as critical in improving the quality of EHC Plans; processes around initial EHC Needs Assessment, processes around Annual Reviews and our Quality Assurance/Audit Framework. Progress on the APP is monitored by senior health and LA managers on a weekly basis, with a formal meeting with the, SEND Hub, Health and DFE on a bi-monthly basis. Formal monitoring has taken place by the DfE at 6 monthly periods.	Director of Children & Family Services January 2024

Progress against the actions in the plan has been good, with a clear focus on improving the quality of education health and care plans. Timeliness of completing EHCP remains a significant challenge and remains below the target of 20 weeks. Work continues to take place in the Department to improve timeliness with a particular focus on increasing Educational Psychologist availability to complete the advice part of the EHCP assessment. The APP is overseen by the SEND and Inclusion Board which is a multi-agency partnership that reports to the Health and Wellbeing Board.	

The Council has identified areas to be developed which are reported in the Annex to the AGS.

The Code of Practice on Local Authority Accounting in the UK 2022/23, requires that significant events or developments relating to the governance system that occurred between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts will be signed by the responsible financial officer, are reported. The draft AGS was updated in line with the Code of Practice.

9. Future Challenges

Significant challenges faced by the Council such as the continuing economic and health and wellbeing impacts of covid-19, continuing funding shortfalls, driving further Health and Social Care integration, social care reform etc are detailed within the Corporate Risk Register, which is regularly reviewed by the Corporate Management Team and presented to the Corporate Governance Committee (the Committee). Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring, and maintaining the Council. The most recent update of the Corporate Risk Register was received by the Committee at its meeting on 27 January 2023.

Additional challenges continue to emerge, and key areas in particular are:

Financial Sustainability

There is a continued need for additional Local Government funding, that the spending review in 2021 did not adequately address. Service demand pressures continue to be felt in social care and SEND, which are only partially met by Council Tax increases and are driving the requirement for savings. The level of growth has taken a step higher following the coronavirus pandemic and the Council is dependent upon continued additional Health funding to manage.

National reforms are being developed for SEN and social care; the information provided to date is raising concerns that there is a real risk of a material negative financial impact.

All services are facing unprecedented inflationary pressure reflecting the wider economy. The council's finances are particularly sensitive to increases in the National Living Wage, which is expected to be driven significantly higher by greater wage growth in the wider economy. The impact on the County Council's budget will be profound. The budget gap in 2023/24 is expected to grow from a manageable £8m at the time the MTFS was approved in February to c£12m based on current inflation projections, despite assuming the maximum council Tax increase. Over the life of the MTFS the gap could increase to over £80m unless mitigation actions are taken. These estimates will become quickly out of date if the trend of worsening economic news does not stop.

Unless there is a significant change in Government's stance on funding it is highly likely that reserves will be required to balance the budget in both 2023/24 and 2024/25, this is clearly not a sustainable position. The County Council will need to identify mitigations that allow 2025/26 to be balanced without the use of reserves. This includes a reinforcement of existing financial control measures and the introduction of new ones to ensure a tight focus on eliminating non-essential spend.

Covid-19 Public Inquiry

In May 2021, the Prime Minister announced that a public inquiry into the Covid-19 pandemic would be established. In March 2022, the appointed Chair of the Inquiry (Baroness Hallett) began a public consultation on the draft terms of reference. This lasted until April and in May she wrote to the Prime Minister to explain that she had amended the Terms of Reference to reflect the consultation responses. It is not clear how or which local authorities will be selected to contribute to the Inquiry or whether the County Council may wish to volunteer material, but if there is to be involvement then the impact could be significant. In preparation officers have begun an exercise to identify documents, records and decisions and implement a process to ensure that any related information is preserved and readily available.

Assistance with migrants and asylum seekers, and the Homes for Ukraine Scheme..

With effect from 1st April 2023 the Home Office implemented a full asylum dispersal model. Under the policy all local authority areas will be expected to accommodate asylum seekers irrespective of whether they have the local services, capacity, or capability to manage dispersal. The Government's accommodation providers will be seeking to procure housing across the country on a pre-approved postcode basis. Any postcode that is determined to be suitable for asylum accommodation will then be pre-approved and the grounds upon which local authorities can object to the housing severely limited. This policy has been adopted to reduce the use and costs of hotel accommodation and, to ensure that there is not over reliance on existing local authority dispersal areas. Funding will be made available to local district councils housing asylum seekers in their areas. No specific funding is being made available to upper tier authorities.

As a result of the new full dispersal policy the number of asylum seekers arriving in the County has increased over time which has created additional unfunded demand for school places, specialist mental health services, and social care support (adults, children, and SEND).

In addition to dispersed accommodation the Home Office has stood up Contingency Hotel accommodation in the County in response to small boat crossings. There are currently four hotels housing asylum seekers, single males or families, across the County. The use of these hotels has created additional demands on public services including social care, schools, and school transport. The Council receives no funding for the bedspaces at these hotels.

Under the Illegal Migration Act the Home Secretary is under a duty to set a cap on the number of entrants to the UK arriving via safe and legal routes for humanitarian purposes and for this cap to be defined following consultation with local government. Consequently, the Home Office undertook a consultation exercise to inform the level at which the cap on safe and legal routes is set. The purpose of the cap will ensure the UK is able to welcome, accommodate, integrate, and support those arriving via these routes in an orderly and appropriate way. This will ensure that the UK does not take more refugees than public services and communities can cope with. In response to the consultation exercise the County Council has formally informed the Home Office that it is not able to accept any additional asylum seekers or refugees until further notice. This is due to several factors including the lack of detail in the consultation exercise, the impact of current schemes, the lack of direct funding for upper tier services, and the capacity and capability of already stretched services to support further families and individuals.

The Council continues to work with partners to administer the Homes for Ukraine scheme which was set up by the Government in response to the humanitarian crisis in Ukraine. In addition to administering the scheme the Council and partners are subject to resource pressures as sponsor/ guest arrangements breakdown and there is a subsequent need to either rematch to new sponsors or find alternative accommodation. The scheme also presents challenges in terms of the allocation of school places.

Recruitment and retention

The current workforce shortage is becoming acute in a number of areas, and with the ongoing impact of the cost-of-living crisis, is likely to get worse. Staffing costs are likely to rise, through having to put market premia / retention payments in place to counter what is happening in the wider market, and we are only at the early stages of this year's national pay negotiations, whilst costs continue to rise sharply. Should the Council be unable to recruit and/or retain staff in key areas, it faces the real risk of being unable to deliver some of its services in the future. As well as short-term solutions, as an employer, the Council has to develop long term initiatives and also to market itself as an employer to best effect.

CONTEST Strategy

The Council is beginning to plan to meet its 'Prevent' and 'Protect' (Martyn's Law) duties under 'CONTEST' (the Government's Counter-terrorism strategy).

10. Certification

The Council has been hugely impacted by the coronavirus pandemic. Nevertheless, despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors.

The Council's Strategic Plan 2022-26 and Medium-Term Financial Strategy will continue to be reviewed and updated to assess the medium-term impacts of the pandemic on the Council's financial position.

The Council is satisfied that appropriate governance arrangements are in place and continue to be regarded as fit for purpose.

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

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

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

Annex

AREAS FOR FURTHER DEVELOPMENT IN 2023-24

The Corporate and Departmental AGS self-assessments contained a set of conformance statements under each core principle and related sub-principles as outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). Each conformance statement required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria below:

Score	Definition	Description	Evidence (all inclusive)
1	Good 	Conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.	Many elements of good practice to a high standard and high quality. Substantial assurance can be given that coverage of the sub-principle is operating satisfactorily and extends to most/all services areas within the department
2	Some development areas for improvement 	There are some developments required against areas of the benchmark and the department may not deliver some of its own and the Council objectives unless these are addressed. The management of strategic, reputational and/or financial risks is inconsistent, and performance is variable across the department.	Some elements of good practice to a high standard and high quality. Moderate assurance can be given that coverage of the sub-principle is working adequately in certain service areas, with omissions in others. Proposal/Plans are in place to address perceived shortfalls
3	Key development and many areas for improvement 	Conformance against many/all areas of the benchmark is poor and therefore delivery of departmental and Council objectives is under threat. There are many strategic, reputational and/or financial risks and performance is off track.	Few elements of good practice to a high standard and high quality. Coverage of this expectation is omitted amongst most areas. Proposal/Plans to address perceived shortfalls are in early stages of development

Examples of key actions is summarised in the table below.

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

Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)		
Core Principles of the Framework	**Overall Assessment**	**Action to Develop Areas Further in 2023/24 (Ongoing and New)**
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		• It is planned to relaunch the Leadership Management Framework, in the early part of 2023 which has a key focus on importance of the Council's Values in leadership and management and the expectation placed on employees to adopt these in their way of working. In addition, these are also integral in all team building and customer service learning and development programmes. • A revised Manager's Induction Programme as part of the revised Corporate Induction Programme will be launched in the early part of 2023 which includes information on the Council's Values. • Full implementation of the Anti-Fraud & Corruption Strategy Action Plan over the course of the two-year period 2022-2024
Principle B: Ensuring openness and comprehensive stakeholder engagement		
Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefit		• Continuing to develop the approach to multi-year monitoring of large and complex capital schemes to ensure medium term implications brought out, including risks and mitigations.
Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes		• Develop arrangements further in the light of enhanced data requirements as a result of Office for Local Government establishment. • Continue to push for fairer funding sought to ensure longer term service sustainability • Refreshed approach, guidance, support, policy, and procedure for Social Value will be presented to Corporate Governance in May 2023 for signoff, the new approach seeks to achieve improved outcomes and improved reporting.
Principle E. Developing the entity's capacity including the capability of its leadership and the individuals within it		• Appoint and develop the role of Independent Members of the Corporate Governance Committee
Principle F. Managing risks and performance through robust internal control and strong public financial management		• Review and develop a fuller set of performance metrics and monitoring in light of requirements and data emerging from the establishment of the new Office for Local Government. • Increased use of benchmarking information. • Data Strategy and review being progressed to further enhance the Council's data management arrangements.

Principle G. Implementing good practices in transparency reporting and audit to deliver effective accountability		• Continuous development of procurement pipelines by departments. • Transparency requirements will be reviewed in 2023 for alignment with new legislation (Transforming Public Procurement) • Develop the Corporate Governance Committee reporting annually to full Council • Arrange for independent reviews of the internal audit and risk management functions • Implement Risk of Governance Failings - Action Plan

Glossary of Terms

ACCOUNTING POLICIES
The specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

AMORTISED COST
The amortised cost of a financial asset or financial liability is:
- the amount at which the asset or liability is measured at initial recognition (usually "cost")
- *minus* any repayments of principal,
- *minus* any reduction for impairment or uncollectibility, and
- *plus or minus* the cumulative amortisation of the difference between that initial amount and the maturity amount.

CASH AND CASH EQUIVALENTS
- Cash is represented by cash in hand and deposits with financial institutions repayable without penalty within 24 hours.
- Cash equivalents are investments of less than 3 months from acquisition that are readily convertible to known amounts of cash with insignificant risk of a change in value.

CAPITAL EXPENDITURE
Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

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.

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT
A statement which details the total income received and expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

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

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

DEFERRED CAPITAL RECEIPTS
The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

FAIR VALUE
Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction at the market date. Fair value is referred to as the exit price.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)
A statement of common accounting practices, devised by the International Accounting Standards Board, which form the basis for the treatment and recording of transactions as applicable to the majority of large organisations, in both the private and public sectors.

GENERAL FUND
The main revenue fund (reserve) of the Authority. Precept income, National Non-Domestic Rate income and government grants are paid into the fund, from which the cost of providing services is met.

IMPAIRMENT
A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value. In addition, a reduction in value where there is insufficient unrealised gains in the revaluation reserve for that asset.

INFRASTRUCTURE
The network of roads, bridges, sewers, lighting etc.

INTANGIBLE ASSET
Non-financial non-current assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights (e.g. purchased software licences).

LEASING
A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc. There are two forms of lease:

a) A finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
b) An operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

LONG TERM BORROWING
Loans with terms over 1 year, raised to finance capital spending.

MINIMUM REVENUE PROVISION
The Authority has a duty to set aside a prudent amount of money as a provision for financing debt incurred to undertake capital expenditure.

MOVEMENT IN RESERVES STATEMENT
A reconciliation showing the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. It also shows how the balance of resources generated/ consumed in the year links in with statutory requirements for raising council tax.

NON CURRENT ASSETS
Assets which are not readily convertible into cash or not expected to become cash within the next year. Examples include fixed assets, leasehold improvements, long term investments and long term debtors.

NON-OPERATIONAL ASSETS
Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties, and assets under construction.

PRECEPTS
The income which the Authority receives from billing authorities (e.g. council tax 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.

Leicestershire County Council

Copies of this Statement of Accounts are available from:

Technical Accounting Team,
Corporate Resources Department,
Leicestershire County Council,
County Hall, Glenfield, Leicester, LE3 8RB

Tel: 0116 305 7627

The accounts can also be viewed at **www.leicestershire.gov.uk**

V0315 August 2021

Grant Thornton

Audit Findings for Leicestershire County Council

Year ended 31 March 2023

20th May 2024



Contents

Your key Grant Thornton team members are:

Mark Stocks
Key Audit Partner
E Mark.S.Stocks@uk.gt.com

Mary Wren
Senior Manager
E Mary.Wren@uk.gt.com

Lisa Morrey
Assistant Manager
E Lisa.Morrey@uk.gt.com

Section		Page
1.	Headlines	3
2.	Financial statements	6
3.	Value for money arrangements	25
4.	Independence and ethics	26

Appendices

A.	Communication of audit matters to those charged with governance
B.	Action plan – Audit of Financial Statements
C.	Follow up of prior year recommendations
D.	Audit Adjustments
E.	Fees and non-audit services
F.	Auditing developments
G.	Management Letter of Representation

This Audit Findings 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. Its contents will be discussed with management and the Corporate Governance

Mark Stocks
For Grant Thornton UK LLP
Date: 15 May 2024

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. 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.

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

© 2023 Grant Thornton UK LLP.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicestershire County Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- The Council's financial statements give a true and fair view of the financial position of the Council and its 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) and Narrative report) is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

An Interim Audit Findings Report was presented to the Audit Committee in January 2024. Key changes to this report are highlighted in yellow.

The main area of outstanding work as reported in January 2024 related to the evidence to support Land and Building valuations within the Council's financial statements. We provided a detailed list of evidence required for each asset selected for testing at the beginning of October 2023. The final information and valuation reports were provided in April 2024 and we have now concluded our work in this area.

Our audit work has been conducted remotely throughout the audit . Our work is substantially complete subject to the following outstanding matters;

- Receipt of management representation letter; and
- Completion of procedures regarding subsequent events
- Review of final version of financial statements , including WGA procedures
- Final Manager and Engagement Lead review of the above

Our detailed findings are summarised on pages 6 to 25.

We have identified a number of issues in our 2022/23 audit which have been adjusted in the Council's financial statements. This includes three material misstatements and three non-material misstatements in the financial statements. This impact of these is summarised below :

- Prior period adjustment – a number of issues have been identified in relation to the Council's Land and Building valuations. This has triggered a Prior period adjustment. In summary the Council's land and building values as at 31st March 2022 are £40.1m lower than those reported in the draft financial statements. A detailed Prior Period Adjustment disclosure (note 8) has been included in the Council's updated financial statements
- Prior Period adjustment – Grants received in advance have been incorrectly included within financial instrument disclosures. This is a material disclosure amendment. A detailed Prior Period Adjustment disclosure (note 8) has been included in the Council's updated financial statements
- Increase in the Council's Net Pension Liability of £14.3m due to incorrect offsetting of pension arrangements and subsequent application of IFRIC 14.
- Other Land and Buildings – Reduction in valuation of £9m following the Council obtaining updated valuations in 22/23 and other accounting issues relating to Land and Building valuations
- Revaluation reserve difference of £1.8m compared to the general ledger – this was identified by the Council's Finance Team.

The above adjustments do not impact on the Council's general fund balance.

Further issues identified for which adjustments have not been made to the financial statements are:

- Movement on valuations on assets not revalued in 2022/23 – resulting in an estimated understatement of asset values of £1.4m.
- Overstatement of income due to incorrect accruals accounting being applied to rental income invoices - £1.358m. This adjustment would impact on the Council's general fund balance.
- A number of disclosure amendments have not been made– relevant recommendations have been made to ensure these are addressed in 23/24

© 2023 Grant Thornton UK LLP.

1. Headlines

Financial statements - continued	Audit adjustments are detailed in Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C. 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 financial statements audit report opinion will be unmodified. We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are satisfied this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023. We have nothing to report in relation to statutory powers or other duties.
Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: • Improving economy, efficiency and effectiveness; • Financial sustainability; and • Governance	We have completed our VFM work, which is summarised on page 25, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.
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 expect to be able to certify the completion of the audit when we give our audit opinion.
Significant matters	The valuation process has been problematic throughout the audit with the final valuation report being provided to the council in April 2024 . This has incurred significant additional resource for the audit team and the Council's own staff. The impact on audit fee is included within Appendix E. 14 versions of valuation reports have been received throughout the audit with a number of material amendments to the financial statements. We did not encounter any other significant difficulties or identify any other significant matters arising during our audit.

© 2023 Grant Thornton UK LLP.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Council for their support in working with us throughout the audit ensuring open line of communication and collaborating to reduce the risk of delays and for maintaining a positive working relationship to address any issues.

National context – level of borrowing

All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits. We have not identified any similar risks at the Council.

© 2023 Grant Thornton UK LLP.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance 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 have been discussed with management and will be presented to the Corporate Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- 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 made one change to our audit approach to that reported in our Audit Plan. Following receipt of the draft financial statements and initial review of Net Pension Fund Liability offsetting it was identified additional procedures regarding IFRIC 14 were required. Full detail is provided on pages 13 and 14.

There have been no further changes to our audit plan, as communicated to you on 26th May 2023.

Conclusion

Our work is substantially complete subject to the following outstanding matters;

- Receipt of management representation letter;
- Final addendum valuation report from the Council;
- Completion of procedures regarding subsequent events
- Review of final version of financial statements , including WGA procedures
- Final Manager and Engagement Lead review of the above

Subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion .

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. The Council's central finance team and key staff members have been instrumental in supporting the wider audit, especially where requests require the involvement of other departments/external experts.

The 2022/23 audit has progressed at a faster pace than prior years but it has still taken longer than expected. We are aware this extended through the budget setting window of the Council which we appreciate is a challenging time and puts competing demands on finance staff. We have encountered some delays in relation to the quality of initial evidence provided to support income and expenditure transactions. This was escalated to senior finance team members who responded promptly to the issues raised.

The Land and Building valuation process has been problematic throughout the audit with the final valuation report being provided to the council in April 2024 . This has incurred significant additional resource for the audit team and the Council's own staff.

Moving forward, we will review, in detail, the 2022/23 audit process alongside the Council and agree how the 2023/24 audit timeline and procedures can be amended to ensure the audit is completed as efficiently as possible.

© 2023 Grant Thornton UK LLP.

2. Financial Statements

Our approach to 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.

Materiality levels remain the same as reported in our audit plan but we have set a specific lower materiality level for your remuneration disclosures.

We set out in this table our determination of materiality for Leicestershire County Council.

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	£14.5m	We determined materiality for the audit of the Council's financial statements as a whole to be £14.5m, which equates to approximately 1.4% of the Council's gross operating expenses. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding.
Performance materiality	£9.8m	We use a different level of materiality, performance materiality, to drive the extent of our testing. Our consideration of performance materiality is based upon a number of factors: • We have not historically identified significant control deficiencies as a result of our audit work • We are not aware of a history of significant deficiencies or a high number of deficiencies in the control environment • There were a number of misstatements identified as part of the 2021/22 audit in relation to property, plant and equipment. • There were recommendations raised in 2021/22 in relation to the Council's journals control environment. • Senior management and some key reporting personnel in the finance function have changed from the prior year audit On this basis we have maintained the performance materiality threshold at 67.5%.
Trivial matters	£700k	We determined the threshold at which we will communicate misstatements to the Corporate Governance Committee to be £700k.
Materiality for remuneration disclosures Performance materiality for remuneration disclosures	£100k £75k	In accordance with ISA 320 we have considered the need to set lower levels of materiality for sensitive balances, transactions or disclosures in the accounts. We consider the disclosures of senior officer remuneration to be sensitive as we believe these disclosures are of specific interest to the reader of the accounts. We have determined a lower materiality for senior officer remuneration disclosures linked to the total value of the disclosures set at £100k with a lower performance materiality set at £75k.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Significant risks

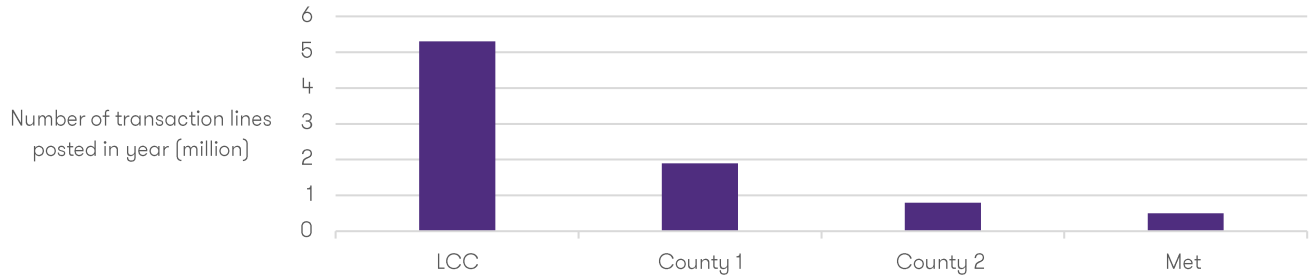
Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We completed the following audit work: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We have completed targeted testing of a number of journals deemed to be 'unusual' using an overarching set of risk criteria. Our sample of journals tested has not identified any instances of management override. General Ledger coding structure and balances When undertaking our risk assessment work in relation to journal entries we have, as noted in the prior year, identified that the Council's ledger structure and processing gives rise to a significant number of journal postings. A number of separate codes are used to manage the debit and credit items separately for a particular item as well as using journals to reallocate costs and income between cost centres. This results in a significant number of debits on account codes which are offset by a significant number of credits on other account codes. The separation of debit and credit transactions for the same GL code to the extent used by the Council is unusual. The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way. Recommendations have been raised to ensure further progress is made to reduce the level of transactions recorded and that account codes are managed and cleansed appropriately. A fee increase of £7,500 was reported in the audit plan relating to this additional work. It is difficult to provide directly comparable benchmarking information due to the differing ledger structures and services delivered across our client base. We have, however, provided some high level benchmarking overleaf which illustrates the volume of transactions processed across three organisations of similar size to Leicestershire County Council. Our analysis identified of the Council's data has identified 20,371 full code combinations which have been posted to less than monthly. A reporting cost centre can use an analysis code to separate their cost centre down further and then for each they will use a subjective code to identify the type of spend. Together the codes form a 'code combination'. We have raised a recommendation regarding this point within

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Management override of controls (continued) 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.	 Mass migration journals In addition to the relatively large number of separate codes and journals processed to reallocate costs and income between cost centre we also note , as in previous years, that the Council undertakes periodic (usually monthly) journal postings in which the Council transfers the totals for each department to the general fund. In addition, allocations are also used to allocate balances on Reserves, Provisions and other technical control accounts, (used to show the in year movements on those accounts), to their balance sheet codes. These postings are undertaken to balance the balance sheet on a regular basis in order to produce its monthly accounts. The extent of these postings not only increases the volume of transactions but also the risk that there may be errors in amounts and account codes as these are copied from system reports by the corporate finance team. Recommendations have been raised to ensure further progress is made to reduce the level and appropriateness of these transactions. Journals Authorisation We have completed audit testing around authorisation and as in the prior year we have identified that all journals below £20,000 do not require authorisation. We have noted that all such journals are restricted to being posted by specific finance officers in the Central Technical Accounting Team which has been confirmed by our testing. The total value of such journals is £4.583m and therefore the risk is not material. **Our journal audit work is complete.**

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings Revaluation of property, plant and equipment should be performed with sufficient regularity to ensure that carrying amounts are not materially different from those that would be determined at the end of the reporting period. Valuations are significant estimates made by management. The net book value of land and buildings held by the Council at 31 March 2023 was £453.4m (as per draft accounts) In addition to this, material adjusted misstatements were reported in relation to the Valuation of land and buildings within the 2021/22 financial statements. We have identified the valuation of land and buildings and investment property as a significant risk	The valuation process has been problematic throughout the audit with final asset valuation reports being provided to the Council in April 2024 . This has incurred significant additional resource for the audit team and the Council's own staff. The impact on audit fee is included within Appendix E. 14 versions of valuation reports have been received throughout the audit with a number of material amendments to the financial statements. Our work in relation to the Council's valuation of Land and Buildings is now complete. A number of errors have been identified, this has also necessitated a Prior Period Adjustment. In summary: Land and buildings per draft financial statements £453.4m Prior period adjustment (£40.1m) – further detail provided below Updated valuations relating to 22/23 only (£9.2m) – further detail provided below Land and buildings per final version £404.1m **Prior period adjustment - £40.1m** Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. 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. Our testing of land and buildings valuations identified a number of issues, the most significant being in relation to Schools Land and Buildings. This has resulted in a Prior Period Adjustment of £40.1m, reducing the Council's asset valuation as at 1 April 2022 by £40.1m with opposite entry impacting on the Councils revaluation reserve. This does not have any impact on the Council's General Fund Balance. Further detail is provided below. Our sample testing of 22/23 Schools land identified an issue in valuation. The value applied was based on all schools land being developable. This methodology is incorrect and schools land should be valued by splitting the site between developed land – where the building stands and therefore has planning permission and so the value is higher, and undeveloped land- such as school fields where planning permissions are not in place. All school land valuations since 2019/20 have been revised and adjusted within the Council's financial statements as part of the Prior Period Adjustment **Other valuation adjustments - £9.2m** A number of valuation issues have been identified throughout the audit. In addition to the prior period adjustment described above there are adjustment which have been made in 22/23 only. These include: • Our sample testing of 22/23 schools buildings involves the review of build year and base year together with a remaining useful life to calculate obsolescence rates. Evidence to support build and base years could not be provided. As such updated valuations were undertaken with revised build and base years. This resulted in adjustments to schools building valuations over a number of years, including 22/23 and and also forms part of the Prior Period Adjustment.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (continued)	• Two Assets under Construction (AUC), upon completion were transferred from AUC to Operational land and Buildings. The assets were not, however, revalued at this point and were included in the draft financial statements at historic cost. This is not in accordance with the CIPFA code. The assets have now been revalued as at 31st March 2023. The net impact is that the carrying values included in the accounts for these two assets at 31st March 2023 are overstated by £3.9m. Updated valuations have been adjusted in the financial statements. • The Council has a number of land and building assets which have not been revalued in 2022/23. The Council was unable to provide evidence to support its view that the unvalued asset values would not have changed in value (since the last valuation date). The Council therefore instructed their valuer to review the ten highest value assets in detail. For ten of these assets the revised valuations indicate that the asset value was overstated by £4m. Updated valuations have been adjusted in the financial statements. For the remaining assets not revalued there is an uncertainty of £1.8m. Revaluation reserve difference between Fixed asset Register (FAR) and General Ledger (GL) The Council has identified that the revaluations reserve recorded in its FAR is £2m lower than that recorded in the general ledger. This is a historic difference the Council has amended in the current financial year as it does not meet the criteria of a prior period adjustment. We have also identified a number of areas of improvement – reported as recommendations within Appendix B. These are as follows: Asset register and valuations process housekeeping . The Council's capital accounting process is currently over complicated and some accounting practices result in additional audit time being incurred to validate/understand the logic of transactions. Examples include: • Assets are valued at 1st October rather than the year end. This requires additional reconciliation processes to agree the fixed asset register back to the valuation report and to consider any movements from the date of valuation to the year end value. This is not consistent with most other local authorities who arrange for valuations to be completed at the balance sheet date. • capital additions and assets under construction brought into use in year are processed as a manual adjustment to the fixed asset register as at 31 March 2023 and then revalued in the following financial year. As at 31st March these assets are therefore carried at historic cost, which is not in accordance with the Code.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings (continued)	• finance leased assets are not included in the FAR and are processed as a manual adjustment to arrive at the figures to be included in the financial statements. • In the draft financial statements presented for audit £53.7m has been included in the financial statements at historic cost relating to land and building. This is not in accordance with the CIPFA code. Review of this balance has resulted in a number of changes to the financial statements. • The Councils asset register, once closed cannot be amended. This has been problematic in pr Valuer Terms of Engagement It is a mandatory requirement under the RICS valuation guidance for the Council's valuer to prepare Terms of Engagement documents for any valuation completed. Outline instructions were issued by the Council to the Valuer but terms of engagement have not been signed. Whilst there is no reason to suggest that the valuation process will not be in line with the guidance for the instruction element we are of the view that the Valuers should prepare a formal Terms of Engagement document prior to commencement of their work which the Council should review and sign up to ensuring that work is completed as required. Useful economic lives The Council has undertaken a review of all nil NBV assets during 22/23. This review has identified £5.4m of assets which were either no longer in use or had been scrapped. This has been adjusted in the financial statements as asset disposals, removing the gross carrying amount and the related accumulated depreciation . The Council confirmed to us that the residual balance of Nil NBV assets of £8.9m relate to assets which are still being used. We sampled tested these assets and our sample testing of this balance identified further assets which should have been treated as a disposal. This has no impact on PPE balances overall and is not a material value however it does indicate a weakness in the Councils current review process. This also indicates the Council's accounting policy in relation to useful economic lives is not in line with what is happening in practice and therefore depreciation charges are not being spread across financial years correctly.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
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 (£576.4 million as at 31st March 2022) 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.	We have: • Updated our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluated 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 Authority's pension fund valuation • assessed the accuracy and completeness of the information provided by the Authority 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 • reviewed whether the pension fund has reported any material uncertainty in relation to investment property valuations as at 31 March 2023 and, if so, assess the impact on disclosures in the financial statements and on our audit opinion • Obtained relevant assurances from the Pension Fund Auditor **Consideration of IFRIC 14** The Council's draft financial statements present a net pension liability of £20.4m in the Council's balance sheet. This has been agreed to the IAS 19 report from the Council Actuary and is made up of £34.6m Unfunded benefits relating to compensatory added years and £14.2 LGPS net pension asset. The Council has been challenged in relation to the right of offset of funded and unfunded balances. The Council has investigated this further and confirmed that the Compensatory added years were awarded under specific regulations: • the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2000 • The Local Government (Discretionary Payments) Regulations 1996 The Council has confirmed that Unfunded Compensatory Added Years (CAY) are separate liabilities and are not part of the County Council's pension sub fund. The Council is not aware of any legislation or scheme rules that allow the right to offset CAY across LGPS. The Teachers pension scheme is a completely separate pension scheme to the LGPS and will therefore have no right to offset assets/liabilities. As such, we have concluded that the funded and unfunded elements cannot be offset and they have a liability in relation to unfunded benefits and an asset for the LGPS.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
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 (£576.4 million as at 31st March 2022) 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.	Following the identification of a pension asset , for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. In summary, IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet. The Council has received an IFRIC 14 report from the Actuary and challenged where appropriate. The following additional audit procedures have been carried out in relation to IFRIC 14: • Considered whether the approach taken by the Council in their IFRIC 14 assessment is in line with expectations • Reviewed the Council's IFRIC 14 assessment • Considered whether there is any additional liability arising from positive secondary contributions for past service costs • Considered the sufficiency of financial statement disclosures Our work in relation to IFRIC 14 is complete. We have identified the following: **Application of asset ceiling** Following the IFRIC 14 report the Council will apply an asset ceiling. This records the pension asset at nil value. A material amendment is required in the financial statements as follows: Increase net pension liability £14.2m Increase in pension reserve £14.2m There is no impact on the Council's General Fund balances regarding this adjustment. **Financial statements disclosures** Net pension liability disclosures within the draft financial statements are not compliant with the CIPFA code. Where there are funded and unfunded elements, these should be separately disclosed. This disclosure has been revised by the Council and updated working provided to the audit team. **Our work is complete. We are satisfied necessary amendments have been made to the financial statements.**

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
Completeness of non-pay operating expenditure Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. Management also undertake an assessment of the levels of grant income received in the financial year to be deferred to future years based on the specific terms and conditions of funding. We therefore identify completeness of non-pay expenses as a risk requiring particular audit attention.	We have: • Evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness • gained an understanding of the Council's system for accounting for non-pay expenditure • tested a sample of balances included within trade and other payables • tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period. • test a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period. Our testing did not identify any issues.
Operation of ledger and coding In our 2021-22 audit we identified that: • The general coding structure appeared to be complex. • The Council uses a large number of ledger codes for debtors and creditors. • A number of ledger codes had not been fully reconciled for some time. • Income and non pay expenditure had a significant volume and value of debit and credit populations.	We have: • Reviewed the ledger coding system to ensure we have a clear understanding of how management operate the ledger. Whilst we are satisfied, from our testing there are not material errors resulting from the ledger complexity this remains an issue for the analysis of populations for our work on Journals . Further details are included on pages 8 and 9 • Reviewed gross and net balances presented for audit to ensure that valid balances are not inappropriately removed • Tested a sample of debit and credit code reconciliations to ensure old balances are being cleared. We have identified, in relation to payroll control codes old balances are not being cleared. • Reviewed the income and non pay expenditure balances (and accounts receivable and payables balances) to ensure that contras are removed prior to sampling.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Other risks

Risks identified in our Audit Plan	Commentary
East Midlands Freeport The Council has provided us with a briefing note on the East Midlands Freeport (EMF). This confirms: • As the accountable body for EMF LCC has agreed to provide EMF with a loan of £2.5m to cover its start up costs, to be repaid from future retained business rates. • At 31 March 2022 LCC had incurred £716k and temporarily funded this from its own reserves. EMF was not a formal entity at this point • At 31 March 2023 LCC has incurred a further £922k (total £1.7m) - to also be funded temporarily from its reserves • On the 30th March 2023 the EMF was given the formal approval by central government and effectively started operating from this point. It appointed its first employee, the CEO and incurred £14k by 31.3.23. • A draft loan agreement has been shared with the 12 EMF partners, but this has not yet been signed. Informal agreements are in place to underwrite the loan • An NDR1 return has been prepared for the freeport zone area, which shows retained business rates (RBR) for 2023/24 of £1.1m of which £0.56m will come to the County to repay the loan. Forecasts made by the County for EMF show further RBR of £2.4m in 24/25 and £8.1m in 25/26 which will clear the start up advance.	We have: • Reviewed the Council's proposed accounting treatment for the loan and associated liabilities • Reviewed the Council's disclosure of the arrangements in its financial statements • Reviewed the ownership of EMF and how profits, losses, assets and liabilities are shared between the partners. We need review the corporate structure and the associated accounting by the Council • Reviewed the business rates model and accounting treatment for the Freeport's zone area. Update to risk identified in audit plan We note that the *£2.5m has subsequently increased to an upper limit of £4m and latest forecasts generated through working with WSP, part of the Government's Freeport Hub, show further RBR of £4.3m in 24/25 and £6.8m in 25/26 available to EMF which will clear the start up advance. This has not impacted on the planned audit procedures carried out.* Whilst we are satisfied the accounting entries within the Council's 22/23 financial statements are not material we have identified weaknesses in governance arrangements as reported in the Auditors Annual Report.
Pooled infrastructure Fund During the year the Council invested £8.7m in Pooled Infrastructure Funds, similar to the existing Pooled Property Funds held. Types of pooled infrastructure include, energy infrastructure, including renewables, water treatment works and transport infrastructure such as rail and air terminals.	We have: • Reviewed the accounting for these arrangements held in the Council's accounts as long term investments. • Reviewed the Council's valuation of the fund at 31 March 2023 and confirmed to third party confirmations. We are satisfied with the accounting entries, related disclosures and valuation of these funds within the Council's 22/23 financial statements.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – Other Land and Buildings £453.4m (per draft accounts) Assets Held for Sale £11.3m Surplus Assets £3.1m	Other land and buildings comprises specialised assets such as schools, libraries, depots and community centres, 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 value (EUV) at year end. The Council has engaged Bruton Knowles as their expert valuer to complete the valuation of land and buildings as at 1 October 2022. 22/23 is the last year of valuations under this engagement with Bruton Knowles and the Council has engaged a new valuer from 23/24 onwards. Assets are revalued on a five yearly cyclical basis as a minimum with annual revaluations of the top 20 assets by value and all assets held for sale and surplus assets. Of the £453.4m other land and buildings management have obtained valuations for £267m (59%) of assets as at 1 October 2022. For those assets not subject to valuation in the current year (£186.4m) the Council has taken the following approach : • £53.7m relate to assets held at historic cost – This has been reviewed in detail by the Council and where appropriate updated valuations have been obtained. Adjustments to the financial statements have been made for those assets revalued and are reflected as part of the £9.2 m adjustment included in appendix D. The revised financial statements include £8m of assets held at historic cost. We estimate there is a potential understatement of £370k relating to these assets. We have raised a recommendation that these assets are subject to valuation as part of the 23/24 revaluation programme. • £65m has been reviewed using the consideration of specific indices for example BCIS, movement in land prices and movement on office rentals. This has identified there is a potential understatement of £3m. • £67m of assets (primarily schools) have also been considered using BCIS however the resulting movement was £6.6m (understatement). Upon review it was considered this did not represent the true movement of this asset category. As such, the Council instructed their valuer to carry our a desktop valuation as at 31st March 2023 of the top 10 assets by value in this category (totalling £30m). For the 10 assets revalued a £4m reduction in asset values has been identified, this forms part of the £9.2m adjustment in appendix D. The council has adjusted the financial statements for updated valuations. This leaves uncertainty of £4.8m overstatement for the remaining £37m in this category which has not been revalued.	Our work in this area is compete. See comments on issues arising to date on pages 10 to 12.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

© 2023 Grant Thornton UK LLP.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability £20.4m (as per draft financial statements)	The Council's net pension liability at 31 March 2023 is £20.4m (PY £576.4m) relating to Leicestershire Pension Fund. The Council uses Hymans Robertson LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial funding valuation is required every three years. The latest full actuarial funding valuation was completed as at 31 March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £503.1m net actuarial gain recognised in the Comprehensive Income and Expenditure account during 2022/23.	We have: • Undertaken an assessment of management's expert • Assessed the reasonableness of the actuary's approach and of any changes compared to the prior year • Used PwC as an auditors expert to assess actuary and assumptions made by actuary – as set out below	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.75%	4.75 for all employers	●
Pension increase rate	3.0%	3.15% - 3.3%	●
Salary growth	3.5%	0.5% to 2.5% above pension increase rate	●
Life expectancy – Males currently aged 45 / 65	22.2/21.5	Confirmed consistent	●
Life expectancy – Females currently aged 45 / 65	25.7/24.3	Confirmed consistent	●

- Sought explanations directly from the actuary for queries arising from review of the 2021/22 valuation and underlying assumptions.
- Reviewed the completeness and accuracy of the underlying information used to determine the estimate
- Reviewed the reasonableness of the Council's share of LGPS pension assets.
- Assessed the adequacy of disclosure of estimate in the financial statements

Our work in this area is complete.
We have carried out additional audit procedures in relation to IFRIC 14. See pages 13 and 14 of this report. A material amendment is required in the financial statements as follows:

Increase net pension liability £14.2m and corresponding entry to Pension Reserve.

Assessment

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

© 2023 Grant Thornton UK LLP.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Debtors credit loss allowance - £11.6m (prior year - £6.5) Of the £11.6m, £9.7m relates to residential and non-residential debt.	Following a recommendation from the 21/22 audit the finance team have reviewed the calculation of credit loss allowance for the 22/23 financial year. The Council includes a credit loss allowance against outstanding debtor balances. The level of credit loss allowance for residential and non- residential debt is calculated on the following basis: A) Review of specific balances requiring provision B) Residential and non residential social care debt Less than one year old – 50% provision (prior year 5%) 1-2 years old – 70% provision(prior year 25%) Over 2 years old – 90% provision (prior year 50%)	Based on our own review of the level of outstanding debtor balances we have concluded that there is unlikely to be a material misstatement in the total credit loss allowance figure as at 31 March 2023.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

© 2023 Grant Thornton UK LLP.

2. Financial Statements - key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Minimum Revenue Provision (MRP) - £6.1m	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. During 2020/21 the Council changed the basis of calculation of the MRP from a 4% reducing balance approach for supported borrowing to a 40 year straight line basis. The Council considered that this represented a more appropriate approach. The total amount of MRP payable was not affected by this change but it did mean a reduction in the charge in earlier years compared to the previous reducing balance approach. This change was approved by full Council at their meeting on 25 February 2021. The year end statutory MRP charge was £6.1m, which is in line with the MRP statutory charge in 2021/22 of £6.2m. We noted in 21/22 that an additional voluntary MRP provision was made of £12m funded from revenue and reserves balances in order to reduce the capital financing requirement and the Council's need to borrow in order to save future capital financing costs. The CFR as at 31 March 2023 was £207.8m, compared to a total debt of £264.3m long term and £3.7m short term. As such the Council was "overborrowed" by £60m at 31 March 2023. Full reporting of the position has been made by the Council in its Treasury Management Strategy and updates. The current 2023-27 MTFS includes an increase in prudential borrowing to fund the four year capital programme, including new major infrastructure projects. This will increase the CFR. However, due to the level of cash balances held the authority does not expect to need to raise external borrowing to fund the requirement and instead use internal cash balances. As a result, and using the latest forecasts in the draft MTFS 24-28, the overborrowed position is forecast to reduce to £18m as at 31.3.24 and revert to an under-borrowed position of £25m as at 31.3.27 and £55m under-borrowed by the end of the MTFS, 31.3.28.	We reviewed whether: • the MRP had been calculated in line with the revised policy • the calculations to support the 40 year estimated average remaining useful lives of assets were reasonable and supported. • The 'over borrowed' position has been fully reported to Council and the reasons for the short term position have been explained together with the strategy in the short term to reverse this overborrowed position. Based on the above assessment we consider that management's estimate is reasonable and the 'over borrowed' position has been fully disclosed to Council together with the reasons which have led to the position and the way forward.	● Light purple

Assessment

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

© 2023 Grant Thornton UK LLP.

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating				
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks	Additional procedures carried out to address risks arising from our findings
Fusion Cloud Services (finance and HR)	ITGC assessment (design and implementation effectiveness only)	●	●	●	●	Management override of controls (Journals)	N/A

Assessment

- ● Significant deficiencies identified in IT controls relevant to the audit of financial statements
- ● Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- ● IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ● Not in scope for testing

© 2023 Grant Thornton UK LLP.

2. Financial Statements: 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.

Issue	Commentary
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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the the Council's arrangements in respect of Equal Pay , which is set out at Appendix G .
Confirmation requests from third parties	We requested from management permission to send confirmation requests to those organisations with which it banks, borrows and in which it invests. This permission was granted, and the requests were sent. We have received all relevant confirmations requested.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. With the exception of Property, Plant and Equipment , where our work is ongoing we have found no other ,material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	The 2022/23 audit has progressed at a faster pace than prior years but it has still taken longer than expected. We are aware this extended through the budget setting window of the Council which we appreciate is a challenging time and puts competing demands on finance staff. We have encountered some delays in relation to the quality of initial evidence provided to support income and expenditure transactions. This was escalated to senior finance team members who responded promptly to the issues raised. The Land and Building valuation process has been problematic throughout the audit with the final valuation report being provided to the council in April 2024 . This has incurred significant additional resource for the audit team and the Council's own staff. Moving forward, we will review, in detail, the 2022/23 audit process alongside the Council and agree how the 2023/24 audit timeline and procedures can be amended to ensure the audit is completed as efficiently as possible.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: other communication requirements



Our responsibility

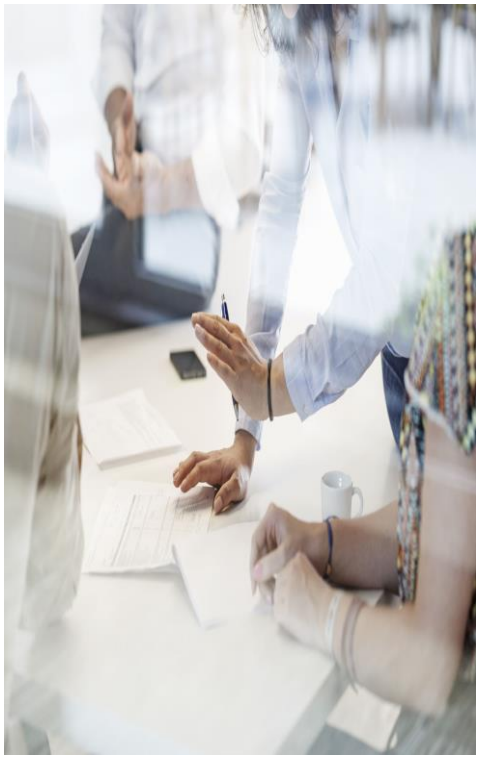
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates • the Council's financial reporting framework • the Council's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

© 2023 Grant Thornton UK LLP.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund Financial Statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Inconsistencies have been identified in respect of the Pension Fund Financial Statements which have been adequately rectified by management. We plan to issue an unmodified opinion in this respect – refer to Appendix I
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have nothing to report on these matters.
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 does not exceed the stipulated thresholds this work is not required.
Certification of the closure of the audit	We intend to certify the closure of the 2022/23 audit of Leicestershire County Council in the audit report, as detailed in Appendix I.



© 2023 Grant Thornton UK LLP.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

© 2023 Grant Thornton UK LLP.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. 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

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

© 2023 Grant Thornton UK LLP.

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, which were charged from the beginning of the financial year to date, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees

Service	Fees £	Threats identified	Safeguards
Audit related			
21/22 Certification of Teachers Pension Return	£5,500	Self-Interest (because this is a recurring fee) Self Review	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fees for this work in comparison to the total fee for the audit 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. To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. To mitigate against the management threat, ie acting in the capacity of management, the scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow.
22/23 Certification of Teachers Pension Return	£10,000	Management	
Local Transport Agreed Upon Procedures	£15,000		

© 2023 Grant Thornton UK LLP.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

© 2023 Grant Thornton UK LLP.

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

G. Management Letter of Representation

H. Audit opinion

I. Audit letter in respect of delayed VFM work

© 2023 Grant Thornton UK LLP.

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

© 2023 Grant Thornton UK LLP.

B. Action Plan – Audit of Financial Statements

We have identified eight recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● High – Significant effect on financial statements	Asset register and valuations process housekeeping A number of areas have been identified in relation to the processing of capital accounting entries in the Council's Fixed asset register (FAR) and also the valuations process. The process is currently over complicated and some accounting practices result in additional audit time being incurred to validate/understand the logic of transactions. Examples include: • Assets are valued at 1st October rather than the year end. This requires additional reconciliation processes to agree the fixed asset register back to the valuation report and to consider the movements in values from to the year end. This is also not consistent with most other local authorities who arrange for valuations to be completed at the year end. • capital additions and assets under construction brought into use in year are processed as a manual adjustment to the fixed asset register as at 31 March 2023 and then revalued in the following financial year. As at 31st March these assets are therefore carried at historic cost, which is not in accordance with the Code. • finance leased assets are not included in the FAR and are processed as a manual adjustment to arrive at the figures to be included in the financial statements. • In the draft financial statements presented for audit £53.7m has been included in the financial statements at historic cost relating to land and building which should in accordance with the CIPFA code be subject to revaluation.	The Councils needs to simplify its capital accounting processes. In particular: • For those assets not revalued as at 31st March the Council will need to satisfy itself that the carrying values of these assets are not materially different to the fair values. We strongly recommend the council aligns its valuation date to the year end. This consideration would then no longer be required. • capital additions and AUC should be processed in the FAR throughout the year and form part of the revaluations process to ensure the carrying values at 31.3.23 are accurate. • finance leased assets should be included in the FAR. • land and buildings which are subject to formal revaluation per the CIPFA Code should not be included in the accounts at historic cost but should be revalued in line with the Code requirements. Management response Agreed. The Council will work through the recommendations made during 2024 to improve processes. The Council will need to consult with its new external valuers the practicality of providing asset valuations (for both scheduled valuations and in year additions) as at 31 March and having time to compete the necessary checks and update its ledgers in time to produce draft accounts. The Council has a significant number of assets which makes this task very difficult in the time available.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

© 2023 Grant Thornton UK LLP.

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
● Medium – Limited Effect on financial statements	Valuer Terms of Engagement It is a mandatory requirement under the RICS valuation guidance for the Council's valuer to prepare Terms of Engagement documents for any valuation completed. Outline instructions were issued by the Council to the Valuer and whilst there is no reason to suggest that the valuation process will not be in line with the guidance for the instruction element we are of the view that the Valuers should prepare a formal Terms of Engagement document prior to commencement of their work which the Council should review and sign up to ensuring that work is completed as required.	The Council should ensure that formal Terms of Engagement are in place and received from the Council's valuer prior to commencement of the valuations process. Management response Agreed – this will be implemented with the new External Valuer contract commencing for the 2023/24 valuations.
● Medium – Limited Effect on financial statements	Useful economic lives The Council has undertaken a review of all nil NBV assets during 22/23. This review has identified £5.4m of assets which were either no longer in use or had been scrapped. This value has therefore been processed as disposals in 22/23 therefore removing the gross carrying amount and the related accumulated depreciation . The residual balance of Nil NBV assets of £8.9m has been confirmed to relate to assets which are still being used. Our sample testing of this balance identified further assets which should have been treated as a disposal. This has no impact on PPE balances overall and is not a material value however it does indicate a weakness in the Councils current review process. This would suggest that the Council's accounting policy in relation to useful economic lives is not in line with what is happening in practice and therefore depreciation charges are not being spread across financial years correctly.	The Council should seek to extend the useful economic lives of assets as detailed in their accounting policy to mirror the actual length of time that assets are being used. The council also needs to review the £8.9m nil nbv assets and ensure all necessary adjustments are made to the asset register. Management response Agreed – this will be reviewed.
● Medium – Limited Effect on financial statements	VAT treatment Three errors have been identified when testing Operating Expenditure and Agency costs relating to the incorrect inclusion of VAT on accruals. Whilst we are satisfied this is not a material issue the Councils should ensure, when calculating accruals, VAT is considered appropriately.	The Council should review its processes in relation to accounting for VAT and ensuring expenditure is accounted for in the correct financial year. Management response Agreed – additional advice on this will be provided to budget managers as part of the year end guidance.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

© 2023 Grant Thornton UK LLP.

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
● Medium – Limited Effect on financial statements	Over borrowed position The Council's narrative statement makes reference to the Council's overborrowed position which under the Prudential Code is permitted in the short term. Our benchmarking has identified that the Council's external debt as a percentage of CFR is 125% which put the Council outside of our expected range. We acknowledge that the current overborrowed position of £54m has been reported fully by the Council in its Treasury Management Strategy and the expected position will revert to an under borrowed position over the medium term.	The Council need to ensure the overborrowed position continues to be a short term position and that as the Treasury Management Strategy suggests that the position is reversed in the short term. Management response Agreed – the draft MTFS and TMSS for 2024-28 shows the position being temporary and reverting to an under-borrowed position within the MTFS period.
● Medium – Limited Effect on financial statements	Clearance of old reconciling items within control accounts Our testing of creditors identified 2 payroll pay over control accounts with balances which could not be reconciled to supporting evidence. The differences which could not be substantiated were below our trivial threshold at £120k and £140k. Our enquiries with the Council have confirmed that these differences relate to prior years and require investigation and possible write off. The risk is if such differences continue to be carried forward the balance will grow and any reasons for the differences will become more difficult to identify. We also identified a series of cumulatively trivial variances within the Council's School bank reconciliations.	**Control accounts should be reviewed and any old balances written off rather than keep carrying these differences forward.** Management response Agreed, work is continuing to review the balances. Action will be taken to resolve these by year end (31.3.24).
● High – Significant effect on financial statements	The Council has recorded rental income in the 2022/23 financial statements that pertains to future accounting periods. The reasons provided for such recording suggest that the focus is on including four quarters of invoices within the financial statements, irrespective of the period to which the income pertains. This is an incorrect application of the accruals concept.	The Council should undertake a review of this matter and ensure that it is not a more widespread issue across the Council. If deemed necessary, training should be revised to ensure that key accounting concepts are applied consistently, not only at year-end but throughout the financial year. Management response Action has already been taken to address this issue and additional advice will be provided to all budget managers as part of the year end guidance.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

© 2023 Grant Thornton UK LLP.

B. Action Plan – Audit of Financial Statements (continued)

Assessment	Issue and risk	Recommendations
Low – Best Practice	Immaterial balances – supporting notes The accounts include a number of immaterial balances where a supporting note has been included. E.g. surplus assets, investment properties and inventories.	The Council should consider removing notes relating to immaterial balances to 'de-clutter' its accounts. **Management response** The Council will review as part of the production of the 2023/24 financial statements.
● Medium – Limited Effect on financial statements	Payables and receivables disclosures Payable and receivable disclosures within the notes to the financial statements are not compliant with the CIPFA code. They add no information for the reader in their current format.	The councils should review its disclosures and ensure they are code compliant. **Management response** The Council will review as part of the production of the 2023/24 financial statements.
● Medium – Limited Effect on financial statements	Pooled budget arrangements disclosures The current pooled budgets disclosure does not clearly document the actual impact on the Council's accounts of being involved in the arrangement.	The Council should add sufficient detail to enable the reader to clearly see that impact on the Council's financial statements of the pooled budget arrangements disclosed. **Management response** The Council will review as part of the production of the 2023/24 financial statements.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

© 2023 Grant Thornton UK LLP.

C. Follow up of prior year recommendations

We identified the following issues in the audit of Leicestershire County Council's 2021/22 financial statements, which resulted in 9 recommendations being reported in our 2021/22 Audit Findings report. We have followed up on the implementation of our recommendations and note five are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Timing of the derecognition of academy schools** Our testing has identified that there is have been delays in the removal of two academy schools from the Council's asset register on conversion to academy status. This relates to the build of the schools and the management of assets under construction. This has resulted in disposals being recorded in the incorrect financial year. **Recommendation** The Council should implement processes to ensure that schools are derecognised promptly on their conversion to academy status.	Processes have been updated and our audit work in 22/23 has checked that academy conversions in 22/23 have all been processed correctly and derecognised in the correct year.
X	**General ledger coding structure** The Council ledger structure is also set up in such a way that for many balance sheet codes, separate debit and credit codes are maintained. This leads to sometimes significant balances building up on codes where have not always been cleared down promptly. It should consider whether the c54,000 code combinations that it uses are needed. **Recommendation** • The Council should review the need to maintain separate debit and credit ledger codes for account balances. Where they are required for reconciliation purposes the Council should ensure that they are cleared down regularly, as a minimum every financial year. • We have agreed to review this area with officers post audit.	This recommendation was raised in March 2023 so it was too late to be implemented for 22/23. The findings for 22/23 are consistent with 21/22 noting that the Council's ledger contained 5.3 million lines of data which is significantly higher than other comparable Councils. The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way. The recommendation therefore has not yet been addressed and will continue to reported. **Management update 2022/23** The Council will continue to review this area and look further into the overall volume of transactions used. The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts.

Assessment

✓ Action completed

X Not yet addressed

© 2023 Grant Thornton UK LLP.

C. Follow up of prior year recommendations (Continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Income and expenditure gross balances** Our review of income and non pay expenditure transaction populations identified a significant volume and value of gross debits and credits included in populations due to the way the Council uses journals to reallocate costs and income between cost centres. **Recommendation** • The Council could reduce the level of audit input required in these areas by "cleansing" populations prior to audit to ensure that only those transactions which directly impact on the financial statements are included in populations provided for audit. • We have agreed to review this area with officers post audit.	This recommendation was raised in March 2023 so it was too late to be implemented for 22/23. The findings for 22/23 are consistent with 21/22 noting that the Council's ledger contained 5.3 million lines of data which is significantly higher than other comparable Councils. The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way. The recommendation therefore has not yet been addressed. **Management update 2022/23** The Council will continue to review this area and look further into the overall volume of transactions used. The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts.

Assessment

✓ Action completed

X Not yet addressed

© 2023 Grant Thornton UK LLP.

C. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Use of a large number of ledger codes within debtor and creditors** The Council's ledger includes a large number of codes which make up the year end debtor and creditor figures. The approach taken by the Council is to maintain separate debit and credit ledger codes for transactions such as payroll and VAT postings. This leads to large debit and credit balances on the ledger and requires a review by Council officers to ensure that balances are netted off where required in preparing the financial statements. **Recommendation** The Council should • review the need to maintain a high number of separate ledger codes within debtors and creditors • Establish a clear framework setting out which codes can be netted off when preparing financial statements and which codes need to be presented gross. We have agreed to review this area with officers post audit.	This recommendation was raised in March 2023 so it was too late to be implemented for 22/23. The findings for 22/23 are consistent with 21/22 noting that the Council's ledger contained 5.3 million lines of data which is significantly higher than other comparable Councils. The size and volume of data being processed at the Council therefore results in additional audit time and procedures to understand the data and cleanse the data appropriately in order to test balances in the most efficient way. The recommendation therefore has not yet been addressed. **Management update 2022/23** The Council will continue to review this area and look further into the overall volume of transactions used. The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts.
✓	**Reconciliation of ledger codes** Our audit testing identified one creditors code which had not been fully reconciled for some time, and included postings dating back to 1996. **Recommendation** • The Council should ensure that full reconciliations are undertaken on all ledger codes and old balances cleared as appropriate. • We have agreed to review this area with officers post audit.	The creditors code has now been fully reconciled and brought up to date for year end, 31.3.23. All balance sheet codes are subject to quarterly review.

Assessment

✓ Action completed

X Not yet addressed

© 2023 Grant Thornton UK LLP.

C. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Derecognition of plant and equipment assets on disposal** Testing of a sample of fully depreciated assets identified a number which had been disposed of or written off but were still included on the fixed asset register. As a result gross cost and depreciation are potentially overstated. **Recommendation** The Council should • implement processes to ensure that plant and equipment assets disposed of or written off are removed from the fixed asset register promptly, and • Review the current fixed asset register to identify any further assets still held on the fixed asset register which have been disposed of or written off.	We have closed this prior year recommendation but raised a linked current year recommendation in appendix B. The Council has undertaken a review of all nil NBV assets during 22/23. This review has identified £5.4m of assets which were either no longer in use or had been scrapped. This value has therefore been processed as disposals in 22/23 therefore removing the gross carrying amount and the related accumulated depreciation . The residual balance of Nil NBV assets of £8.9m has been confirmed to relate to assets which are still being used. Our sample testing of this balance identified further assets which should have been treated as a disposal. This has no impact on PPE balances overall and is not a material value however it does indicate a weakness in the Councils current review process. This would suggest that the Council's accounting policy in relation to useful economic lives is not in line with what is happening in practice and therefore depreciation charges are not being spread across financial years correctly.
✓	**Calculation of the debtors credit loss allowance** Our discussions with finance staff indicate that this policy has been applied for a number of years without amendment. We requested evidence to support the validity of the percentages used such as evidence on actual levels of debt write offs/recoverability but the Council has been unable to provide this level of evidence to support the reasonableness of the percentages used. **Recommendation** The Council should review the basis of calculation of the credit loss allowance to ensure that it is based on current, reliable data on the level of credit losses expected.	The Council as a result of this recommendation has reviewed its formal policy in relation to the credit loss allowance and has as a result revised the percentages used. We have reviewed and tested the reasonableness of the policy and calculations and have not identified any further issues.

Assessment

✓ Action completed

X Not yet addressed

© 2023 Grant Thornton UK LLP.

C. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Journal authorisation** We note that journals below £20,000 are not authorised. While the value is below materiality (c.£5m) we consider that this is a control weakness and that all journals should be reviewed and authorised. **Recommendation** The Council should ensure that all journals are reviewed and approved by an independent officer.	We have completed targeted audit testing around authorisation and as in the prior year we have identified that all journals below £20,000 do not require authorisation. We have noted that all such journals are restricted to being posted by specific finance officers in the Central Technical Accounting Team which has been confirmed by our testing completed. The total value of such journals is £4.583m and therefore the risk is not material. We will continue to recommend that all journals should be reviewed and authorised as we consider that this is a control weakness. **Management update 2022/23** A review will be undertaken to assess the impact of the change. Internal Audit will also be asked to review a sample of journals as part of their annual assurance work.
X	**Mass migration journals** The Council undertakes periodic (usually monthly) journal postings in which the Council transfers the totals for each department to the general fund. In addition, allocations are also used to allocate balances on Reserves, Provisions and other technical control accounts, (used to show the in year movements on those accounts), to their balance sheet codes. These postings are undertaken to balance the balance sheet on a regular basis.in order to produce its monthly accounts. The extent of these postings not only increases the volume of transactions but also the risk that there may be errors in amounts and account codes as these are copied from system reports by the corporate finance team **Recommendation** • The Council should review its use of journals and monthly closedown procedures to ensure that its processes continue to be appropriate. • We have agreed to review this area with officers post audit.	For journal testing completed this continues to be the case in 22/23. The extent of these postings not only increases the volume of transactions but also the risk that there may be errors in amounts and account codes as these are manually typed in by the finance team. We will continue to recommend that the Council reviews its use of journals and monthly closedown procedures to ensure its processes continue to be appropriate. **Management update 2022/23** The Council will continue to review this process and look to automate it within the system where possible

Assessment

✓ Action completed

X Not yet addressed

© 2023 Grant Thornton UK LLP.

D. 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 2023.

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet £m	Impact on total net expenditure £m
22/23 Land and building valuation adjustment A number of issues have been identified throughout the testing of 22/23 Land and Building valuations. This has resulted in a Prior Period Adjustment as detailed separately below however, there are other adjustments which relate to 22/23 only. Further detail is included on page 10.	Increase total expenditure by £7.2m and reduce surplus on revaluation of PPE by £2m	Reduce Property, Plant and Equipment by £9.2m	Increase net expenditure by £7.2m . (This is reversed out Via MIRS and has no impact on the Councils General Fund balance)
Prior period adjustment – Land and Buildings Our testing of land and buildings valuations identified a number of issues, the most significant being in relation to Schools Land and Buildings. This has resulted in a Prior Period Adjustment of £40.1m, reducing the Council's asset valuation as at 31 March 2022 by £40.1m with opposite entry impacting on the Councils revaluation reserve. This does not have any impact on the Council's General Fund Balance. Further detail is provided below.		Reduce opening land and building values by £40.1m Reduce opening revaluation reserve by £28.4m Reduce opening capital adjustment account by £11.7m	Nil no impact on the (Surplus)/ deficit on provision of services
Revaluation reserve difference between Fixed asset Register (FAR) and General Ledger (GL) The Council has identified that the revaluations reserve recorded in its FAR is £1.8m lower than that recorded in the GL. This is a historic difference the Council has amended in the current financial year.		Debit Revaluation reserve £1.8m Credit Capital Adjustment Account £1.8m	Nil no impact on the (Surplus)/ deficit on provision of services
IFRIC 14 The draft financial statements show a net pension liability of £20.4m. It has been identified that the Council has incorrectly offset a pension liability relating the Teachers unfunded liability position with a pension asset of the LGPS. As there is a net pension asset for LGPS the Council is required to consider the requirements of IFRIC 14. The council has received a IFRIC 14 report from their Actuary and determined the asset ceiling will apply and as such will be showing a nil asset. The Council's net pension liability has therefore increased by £14.2m to £34.6m.		Increase Pension fund net liability £14.2m. Increase Pension reserve by £14.2m	Nil no impact on the (Surplus)/ deficit on provision of services

© 2023 Grant Thornton UK LLP.

D. Audit Adjustments (continued)



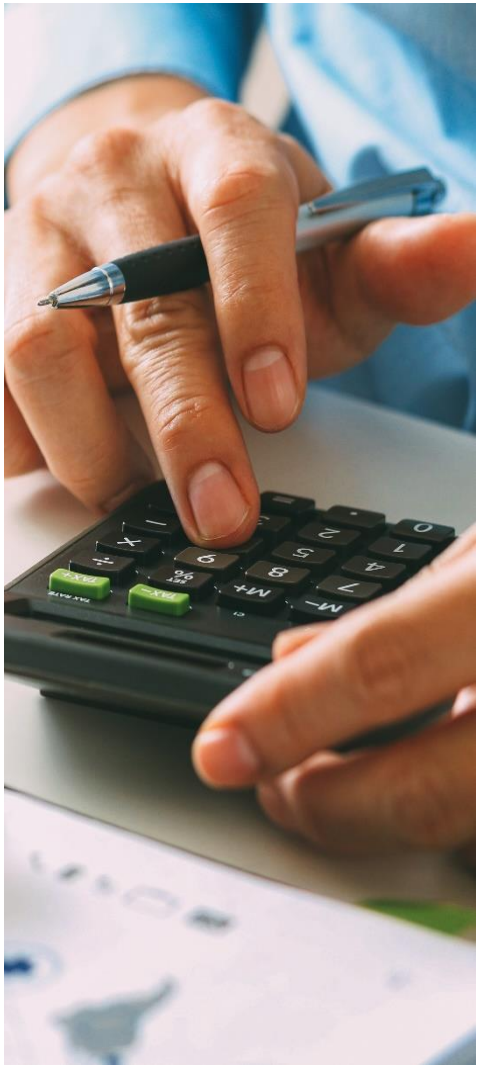
Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Corporate governance Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet£m	Impact on total net expenditure £m	Reason for not adjusting
Assets not valued uncertainty The Council has a number of assets which have not been revalued by the Council's valuer in the current audit year. We have reviewed the carrying values of these assets to assess whether these are materially different to the fair value. This exercise has identified there is an uncertainty of £1.813m and the carrying value estimate could be overstated by this amount.		Credit PPE OLB £1.4m Debit RR £1.4m		Estimation uncertainty only
Debtors Debtors sample testing has identified a transaction relating to rental income which has been billed in advance by the Council totalling £402k which is not a valid debtor. In conjunction with the Council we have isolated all rental invoices and quantified this error within the debtors population. The resulting error is that debtors and income are overstated by £1.358m.	Debit income £1.358m	Credit Debtors £1.358m	Income overstated £1.358m	Not material

© 2023 Grant Thornton UK LLP.

D. Audit Adjustments (continued)



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. We are satisfied

Detail	Comprehensive Income and Expenditure Statement £m	Balance Sheet £m	Impact on total net expenditure £m	Reason for not adjusting
Overstatement of pension liability	0	Dr Pension liability - £2.3m Cr Pension reserve - £2.3m	0	Not material
Potential understatement of debtors credit loss allowance	Dr Operating expenditure - £2.0m	Cr Debtors - £2.0m	Dr Operating expenditure - £2.0m	Not material
Derecognition of academy schools in the incorrect financial year	Cr Loss on disposal of assets - £8.4m	No impact on position at 31 March 2022	Cr Loss on disposal of assets - £8.4m	Not material
Potential overstatement of debtor balances due to subsequent issue of credit notes	Dr income £1.0m	Cr Debtors £1.0m	Dr income £1.0m	Not material
Movement on valuations on assets not revalued in 2021/22		Dr land and buildings - £2.8m Cr revaluation reserve - £2.8m		Uncertainty – adjustment not expected
Overall impact	Dr Operating expenditure - £2.0m Cr Loss on disposal of assets - £8.4m Dr income £1.0m	**Dr Pension liability £2.3m** **Cr Debtors - £3.0m** **Dr Land and buildings - £2.8m** **Cr reserves - £5.1m**	**CIES net impact – Cr £5.4m**	

© 2023 Grant Thornton UK LLP.

D. Audit Adjustments

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/issue/Omission	Auditor recommendations	Adjusted?
General A small number of minor amendments were made to correct typing errors, page numbering and incorporate additional narrative information. We do not deem these significant enough to bring to the attention of those charged with governance. There are rounding differences throughout the accounts.	Typographical errors should be amended The Council should add a statement within its Accounting Policies disclosing there are a number of rounding differences of +/- £0.1m within totals due to the accounts being to the nearest £0.1m	Yes
Pension Fund accounts The Council includes the Pension Fund Accounts within its financial statements. A number of the tables within these were showing as 'error! Reference source not found'.	The Council need to ensure that all error references are updated to mirror the final figures and narratives as disclosed in the audited Leicestershire County Pension Fund Accounts 2022/23.	Yes
Expenditure and funding analysis Note 2(a) In the table showing the adjustments between funding and accounting basis the Council has included £15.8m for central items relating to adjustments for pensions purposes within the 'Net cost of Services' section in error. This entry should be included in the 'Other income and expenditure from the EFA line'	Move £15.8m from the central items line in Note 2(a) to the 'Other Income and expenditure from the EFA' line.	Yes
Financial statements disclosures Net pension liability disclosures within the draft financial statements are not compliant with the CIPFA code. Where there are funded and unfunded elements, these should be separately disclosed.	Funded and unfunded elements are to be disclosed separately	Yes
Note 23 Short term debtors Per IAS 1 para 78 and CIPFA Code Para 3.4.2.67 receivables disclosed should be disaggregated into amounts receivable from trade customers, receivables from related parties, prepayments and other amounts. The Council's current disclosures are not code compliant	The Council need to amend note 23 – Short Term debtors to comply with IAS1 Para 78 and the CIPFA Code 3.4.2.67. Management response The Council will review as part of the production of the 2023/24 financial statements.	No

© 2023 Grant Thornton UK LLP.

D. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 26 Short term creditors Per IAS 1 para 78 and CIPFA Code Para 3.4.2.64 creditors disclosed should be disaggregated into appropriate sub classifications. The Council's note does not include any sub classifications.	The Council need to amend note 26 – Short Term creditors to comply with IAS1 Para 78 and the CIPFA Code Para 3.4.2.64. **Management response** The Council will review as part of the production of the 2023/24 financial statements.	No
Pooled Budgets Note 31 The current pooled budgets disclosure does not clearly document the actual impact on the Council's accounts of being involved in the arrangement.	The Council should add sufficient detail to enable the reader to clearly see that impact on the Council's financial statements of the pooled budget arrangements disclosed. **Management response** The Council will review as part of the production of the 2023/24 financial statements.	No
Related Party Disclosures Note 37 Two related party transactions disclosed by the Council do not meet the criteria set in IAS 24 as the individuals do not have significant influence and control over the other entities.	The Council should remove the 2 individuals from the related party disclosure which do not meet the requirements of IAS24.	Yes
Note 47 Accounting policies (6. Assets under construction) The current policy is not clear as this states the values included in the accounts are based on actual payments made, which would imply cash accounting which is not correct.	The Council should expand the accounting policy in relation to assets under construction to reflect that the carrying value is based on costs incurred to 31 March 2023.	Yes

© 2023 Grant Thornton UK LLP.

D. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 47 Accounting policies (6. Land and Buildings) The current policy refers to 'current asset values as of ….1 October 2020' which is incorrect as current valuations are dated 1 October 22.	The Council should amend the land and building policy to refer to 1 October 2022 as the most recent date of valuations of these assets.	Yes
Note 47 Accounting policies (6. Assets held for sale) The current policy discloses 'The asset is revalued immediately on an open market basis' which needs further details to be added to ensure the basis is clearly disclosed	The Council should add additional detail to this policy to explain that the asset is then carried at the lower of the previous carrying value and FV less costs to sell to ensure policy is clear.	Yes

© 2023 Grant Thornton UK LLP.

D. Audit Adjustments

Misclassification and disclosure changes (continued)

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 20 Financial Instruments The original note presented in the draft accounts did not comply fully with the requirements of IFRS9, IFRS7 and IFRS32. In particular: • -Capital Grants receipts in advance totalling £74m long term and £59.3 short term have been included in error. This also impacts the prior period. Relevant Prior period adjustment disclosures will need to be made in accordance with IAS 8. • - Carrying amount of assets and liabilities carried at amortised cost is incorrect and should be changed from **£623.8m to £568.3m.** • narrative disclosures are inconsistent with policies and the figures included in Note 20. • Disclosures do not make reference to the Pooled Infrastructure valuation method and Capital release funds (NAV) which are level 2 investments. • in relation to long term investments carried at Fair Value additional disclosures around exposure to gains and losses. • Exposure to credit risk makes reference to 0.3% on the sales ledger which does not link with the credit loss allowance made and the table should be removed also reference to doubtful debts is incorrect. • It is currently difficult for the reader of the accounts to identify the link between the balance sheet figures and the Financial Instruments note.	The Council should review its financial instruments disclosure fully and ensure : • Disclosures are code complaint • There is clear linkage to other disclosures within the financial statements were appropriate • Disclosures are clear for the reader of the accounts	Yes

© 2023 Grant Thornton UK LLP.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Scale fee	75,315	75,315
Additional work on Value for Money (VFM) under new NAO Code	19,000	19,000
Enhanced audit procedures for Property, Plant and Equipment – use of auditors expert	5,000	5,000
Increased audit requirements of revised ISAs 540	6,000	6,000
Enhanced audit procedures on journals testing (not included in the Scale Fee)	3,000	3,000
Ledger configuration and reconciliation	7.500	7.500
Infrastructure	2.500	2.500
Payroll – change of circumstances testing	500	500
ISA 315	5,000	5,000
East Midlands Freeport	5,000	5,000
Operating expenditure and fees and charges evidence		1,500
Property, Plant and Equipment 22/23 and PPA		43,425
Financial Instruments restatement and PPA		5,000
Expert Fee		3,000
Receivables extended testing		3,250
IFRIC 14 consideration		4,000
Total audit fees (excluding VAT)	**£128,815**	**£179,000**

© 2023 Grant Thornton UK LLP.

E. Fees and non-audit services

Non-audit fees for other services	Proposed fee	Final fee
Audit Related Services – 22/23 Teachers Pension Agency return	£10,000	£10,000
Total non-audit fees (excluding VAT)	£10,000	£10,000

The fees reconcile to the financial statements as follows :

- fees per financial statements – annual audit £179,000 per previous page
- Total fees per updated financial statements -£179,000 (extract below)
- Teachers pensions Agency return £10,000 under separate engagement

Local Transport plan fee of £15,000 will be accounted for in the 23/24 financial year.

Note 34: External Audit Costs

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

2021/22 £		2022/23 £
	Fees payable to external auditor:	
139,777	Annual audit	179,000
6,917	Other services provided during the year	10,000
146,694	**Total**	**189,000**

None of the above services were provided on a contingent fee basis.

The final audit fee will be invoiced following PSAA approval.

© 2023 Grant Thornton UK LLP.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

© 2023 Grant Thornton UK LLP.

G. Management Letter of Representation

Date – To be confirmed

Dear Grant Thornton

Leicestershire County Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for 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.

vii. The prior period adjustments disclosed in Note 8 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

viii. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

ix. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

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

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

x. 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.

xi. 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.

© 2023 Grant Thornton UK LLP.

F. Management Letter of Representation (continued)

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

xiii. We have considered the unadjusted misstatements schedule included in your Audit Findings Report, including unadjusted disclosure items. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council. The financial statements are free of material misstatements, including omissions.

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

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

xvi. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease the Council's operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvii. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

a. The Hay Job Evaluation system (which is used across jobs in the Council's main pay grade structure) continues to ensure that there is no significant discrimination in basic pay. This provides significant reassurance that Leicestershire County Council provides fair pay and reward to Council employees.

b. We conduct an equal pay audit every three years.

xvii. We have undertaken a review of all operational Council buildings for instances of reinforced autoclaved aerated concrete (RAAC) and can report that there are no cases of RAAC discovered within any of our maintained schools. However, RAAC was discovered in one vacant office location which has been mitigated following advice from specialist advisors and does not present any significant financial liabilities.

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements,from whom you determined it necessary to obtain audit evidence.

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

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

xxi. 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.

© 2023 Grant Thornton UK LLP.

G. Management Letter of Representation (continued)

xxii. 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:

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.

xxiii. 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.

xxiv. 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.

xxv. 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.

xxvi. 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

xxvii. 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

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

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance Committee at its meeting on 20 May 2024.

Yours faithfully

Name……

Position……..

Date……

Name……

Position……..

Date……

Signed on behalf of the Council

© 2023 Grant Thornton UK LLP.



Grant Thornton

© 2023 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank

Audit Findings Report for Leicestershire County Council Pension Fund

Year ended 31 March 2023

12 February 2024



Contents

Your key Grant Thornton team members are:

Mark Stocks
Key Audit Partner
T +441212 325437
E mark.s.stocks@uk.gt.com

Evah Mutama
Audit Manager
T +441212328751
E Evah.Mutama@uk.gt.com

Shazna B Rashid
Audit In Charge
T+441212325431
E Shazna.B.Rashid@uk.gt.com

Section		Page
1.	Headlines	3
2.	Financial statements	5
3.	Independence and ethics	18

Appendices

A.	Communication of audit matters to those charged with governance	21
B.	Action plan – Audit of Financial Statements	22
C.	Follow up of prior year recommendations	23
D.	Audit Adjustments	26
E.	Fees and non-audit services	27
F.	Auditing developments	28

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Pension Fund or all weaknesses in your internal controls. 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.

This Audit Findings 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. Its contents will be discussed with management and the Corporate Governance Committee.

Name: Mark Stocks
For Grant Thornton UK LLP
Date: 12 Feb 2024

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

© Grant Thornton UK LLP.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicestershire County Pension Fund ('the Pension Fund') and the preparation of the Pension Fund's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Pension Fund's financial statements give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

Our audit work was completed remotely during July-November. Our findings are summarised on pages 5 to 18.

We have not identified any adjustments to the financial statements that impact upon the Pension Fund's reported financial position.

Whilst we have not identified any material differences however we have identified £3.798m of differences in the valuation of the Fund's investments disclosed in the financial statements at 31 March 2023 and the valuation statements received from the third-party investment managers. Management are proposing not to amend the financial statements on the basis that the differences are not material (0.1% of investment assets) and the Corporate Governance Committee will be asked to confirm their agreement.

Audit adjustments are detailed in Appendix D.

We have raised new recommendations for management as a result of our audit work (Appendix B). As noted below there is some work to be finalised and whilst we do not anticipate recommendations arising from this if significant matters arise we will communicate these separately. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit, subject to the following outstanding matters;

- Finalisation of Manager and Engagement Lead quality control reviews;
- Receipt of management representation letter {shared separately}; 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 opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is almost complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are 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. The Pension Fund Annual Report has been published and we have reviewed it . The annual report is consistent with the audited financial statements. We have therefore issued a separate opinion and will be signed on the completion of the audit of the administering authority.

© Grant Thornton UK LLP.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see About time? (grantthornton.co.uk)

We would like to thank everyone at the Pension Fund for their support in working with us to ensure the Pension Fund's audit has not fallen behind and to seek finalisation of our work.

Local context - triennial valuation

Triennial valuations for local government pension funds have been published. These valuations, which are as at 31 March 2022, provide updated information regarding the funding position of the Pension Fund and set employer contribution rates for the period 2023/24 – 2025/26. For the Pension Fund, the valuation was undertaken by Hymans Robertson LLP and showed that the solvency funding level is 105%.The results of the latest triennial valuation are reflected in the actuarial statement included as an appendix to the financial statements. These valuations also provide updated information for the net pension liability on employer balance sheets.

We have performed testing of the completeness and accuracy of triennial valuation source data. This was to support our work on the other information disclosures made in the Pension Fund accounts and for providing assurances to auditors of employer bodies. As part of this work, we tested a sample of 25 members drawn from the pensioners, deferred and active populations and found the source data to be complete and accurate. This additional testing is only required after each triennial review, rather than annually. See Appendix E for the impact of this work on our 2022/23 audit fee.

© Grant Thornton UK LLP.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance 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.

For Leicestershire County Council Pension Fund, the Corporate Governance Committee is charged with governance and fulfils the role of those charged with governance i.e. it considers the draft financial statements and is part of the overall member oversight process and recommends adoption of the financial statements to the Corporate Governance Committee.

Audit approach

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

- An evaluation of the Pension Fund's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have altered our audit plan, as communicated to you in September 2023, to reflect a change of the planning materiality for the financial statements. We have reduced the benchmark from 1.50% to 1.20% of net assets. See page 6 for the revised amounts.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion. We cannot issue our opinion until audit work on the Council's accounts (as Administering Authority and whose accounts the Pension Fund's accounts form part of) has been completed.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the Treasury and Pension Team staff.

© Grant Thornton UK LLP.

2. Financial Statements

Our approach to 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.

Materiality levels have been changed from what was reported in our audit plan. We have revised the materiality percentage for financial statements from 1.5% to 1.20% for net assets.

We set out in this table our determination of materiality for the Pension Fund.

	Pension Fund Amount (£)	Qualitative factors considered
Materiality for the financial statements	£69.2m	We determined materiality for the audit of the Pension Fund's financial statements as a whole to be £69.2m, which is approximately 1.20% of the Pension Fund's net assets as at 31 March 2023. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in security and value of the Pension Fund's assets.
Performance materiality	£48.50m	We have determined £48.50m (70% of materiality) to be an appropriate level for Performance Materiality. The Pension Fund has a stable, experienced team with no history of accounting issues and this continues to be the case.
Trivial matters	£3.46m	We deem matters below 5% of materiality to be sufficiently trivial not to warrant drawing to the attention of the Corporate Governance Committee.
Materiality for fund account	£25m	We determined materiality for the fund account transactions based on 10% of total expenditure as at 31 March 2023.



© Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement. This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
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 Fund faces external scrutiny of its stewardship of funds and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.	Below is a summary of the work performed: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. No changes have been identified to the accounting policies and the estimation process for the valuation of the defined benefit schemes and plan assets. Our audit work has not identified any significant issues in respect of management override of controls.
Improper 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. Having considered the risk factors set out in ISA240 and the nature of the revenue streams at 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 the Leicestershire County Council (Administering Authority), mean that all forms of fraud are seen as unacceptable Therefore we do not consider this to be a significant risk for Leicestershire Pension Fund.	There were no changes to our assessment reported in the audit plan and the audit work performed did not identify any issues in respect of revenue recognition.
Fraud in Expenditure Recognition Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered, especially an entity that is required to meet financial targets. Having considered the risk factors relevant to the Pension Fund and the relevant expenditure streams, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. We therefore do not consider this to be a significant risk for the Pension Fund.	There were no changes to our assessment reported in the audit plan and the audit work performed did not identified any issues in respect of expenditure recognition.

© Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 Investments (private equity, pooled investment vehicles and unquoted equity) The Fund revalues its investments on frequently 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 measurable 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. Management utilise the services of investment managers and/or custodians as valuation experts to estimate the fair value as at 31 March 2023. We therefore identified valuation of Level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.	Below is a summary of the work performed: • evaluated management's process for valuing Level 3 investments • reviewed the nature and basis of estimated values and considered the assurance management has over the year end valuations provided for those types of investments, to ensure that the requirements of the Code are met • independently requested year-end confirmations from investment managers and the custodian and considered the role played by the custodian in asset valuation • 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, reconciling those values to the values at 31 March 2023 with reference to known movements in the intervening period where necessary. • tested valuations made during the year to see if they had been input correctly into the Pension Fund's ledger. • where available, reviewed investment manager service organisation reports on design effectiveness of internal controls. Identify the key valuation controls at the fund managers (and where appropriate the custodians) and consider the design effectiveness of the controls through enhanced documentation of our consideration of the relevant controls reports. Our audit work identified that the actual value of investments as at 31 March 2023 had risen by £7.574m from that estimated in the accounts. This was largely attributed to £3.156m increase in Level 3 asset values, a and an increase of £4.417m in Level 1 assets. The largest movement in Level 3 assets was related to Adams Street private equity portfolio (£4.635m) final capital statements not being available when the Pension Fund's accounts presented for audit were closed down. Timing differences such as this are not unusual within Pension Funds. The difference is 0.1% of total investment assets and less than 50% of our performance materiality. Management has not amended the Pension Fund's Statement of Accounts on the basis that the difference is not materially quantitatively or qualitatively to readers of the accounts.

© Grant Thornton UK LLP.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Valuation of Level 3 Investments (Directly held property) The Fund has investment in directly held property and has engaged an external valuer Colliers Capital their RICS qualified valuer to complete the valuation of properties as at 31st March 2023. Investment Properties must be included in the balance sheet at fair value (the price that would be received in an orderly transaction between the market participant at the measurement date).. By their nature Level 3 investment valuations lack observable measurable 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.	Below is a summary of the work performed: • evaluated the processes, controls and assumptions put in place by management to ensure that the valuation is not materially misstated and evaluate the design of these and whether they are sufficient to mitigate the risk of material misstatement; • communicated with the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the reporting framework are met • challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly around yields and rents/market values for the properties. • Obtained and reviewed the valuation report. Reconciling the values in the report to the values captured in the general ledger as at 31 March 2023. • Performed an analytical review looking at the market value movements from prior year and assessed whether the movements in value are in line with our understanding when referring to available market information. Investigate any movements that are not in line with expectation. • Select a sample of investment property to test. Reperform calculations using assumptions and information obtained from lease rentals, yield rates from external sources to assess if the valuations are appropriate.

© Grant Thornton UK LLP.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments (private equity, pooled investment vehicles, property funds and unquoted equity) – £2 003.27m	The Pension Fund has investments in unquoted equity and pooled investments vehicles that in total are valued on the net assets statement as at 31 March 2023 at £2 003.27million. These investments are not traded on an open exchange/market and the valuation of the investment is highly subjective due to a lack of observable inputs. In order to determine the value, management rely on the valuation that the investment managers provides. The valuation of the funds is provided by the investment managers. Service auditor reports for investment managers and custodians were obtained and considered by management at the pension fund. The value of the investment has increased by £205.6m in 2022/23, this is largely due to sales (£176.2m), purchases (£358.1m), realised gains (£60.9m) and unrealised losses (£31.7m)	Management determine the value of level 3 investments through placing reliance on the expertise of the investment managers. We have performed an assessment of management's expert i.e. Investment manager. In addition to the investment manager confirmations at year end; we have obtained latest audited accounts and reviewed cash flow movements to 31 March 2023. We have also tested a sample of Level 3 investments to audited accounts and final capital statements to determine if the values estimated are reasonable. Please see our findings on page 8.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

© Grant Thornton UK LLP.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 3 Investments (Directly held property) – £101.8m	The Pension Fund has investments in investment property that in total are valued on the net assets statement as at 31 March 2023 at £101.8million. This valuation represents 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. 100% of the total assets were revalued during 2022/23. Investment property is revalued annually. The value of investment property has decreased by £18.50m in 2022/23, this is largely due to the change in the market value of the properties.	Management determine the value of investment property through placing reliance on the expertise of the property valuer (Colliers Capital). We evaluated the competence, capabilities and objectivity of the valuation expert We communicated with the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the reporting framework are met We challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, particularly around yields and rents/market values for the properties. Obtained and reviewed the valuation report. Reconciling the values in the report to the values captured in the general ledger as at 31 March 2023. Performed an analytical review looking at the market value movements from prior year and assessed whether the movements in value are in line with our understanding when referring to available market information. Investigate any movements that are not in line with expectation. Selected a sample of investment property to test. Reperformed calculations using assumptions and information obtained from lease rentals, yield rates from external sources to assess if the valuations are appropriate.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

© Grant Thornton UK LLP.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 2 Investments – £1,069.1m	The Pension Fund have investments in pooled investments that in total are valued on the net assets statement as at 31 March 2023 at £1,069.1million. The investments are valued using the closing bid price where bid prices and offer prices are published or where the funds are index tracked, these are based on the market quoted prices of the underlying securities. As the pooled investments fund invested in are mainly bonds, equities and fixed interest quoted prices are easily obtained in the market. The value of the investment has decreased by £90.9m in 2022/23 due to performance of the funds in the market.	Management determine the value of level 2 investments through placing reliance on the expertise of the investment managers. In addition to the investment manager confirmations at year end; we have independently obtained the quoted price as at year end and compared it to the investment manager's price. Where prices could not be obtained we reviewed the latest audited accounts and reviewed the unaudited valuation to determine if there was significant price movements. We have also tested a sample of level 2 investments to determine if the values estimated are reasonable. No findings have been identified in our testing	We consider management 's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

© Grant Thornton UK LLP.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Level 1 Investments – £2 446.6m	The Pension Fund have investments in pooled investments, cash and other deposits that in total are valued on the net assets statement as at 31 March 2023 at £2 446.6million. The investments are valued using the closing bid price where bid prices and offer prices are published, these are based on the market quoted prices of the underlying securities. As the pooled investments fund invested in are mainly equities and fixed interest quoted prices are easily obtained in the market. The value of the investment has decreased by £57.2m in 2022/23 due to purchases, sales and performance of the funds in the market.	Management determine the value of level 1 investments through placing reliance on the expertise of the investment managers. In addition to the investment manager confirmations at year end; we have independently obtained the quoted price as at year end and compared it to the investment manager's price. We have also tested a sample of level 1 investments to determine if the values estimated are reasonable. No findings have been identified in our testing	We consider management 's process is appropriate and key assumptions are neither optimistic or cautious

Assessment

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

© Grant Thornton UK LLP.

2. Financial Statements: 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.

Issue	Commentary
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.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Pension Fund , which is included in the Committee papers.
Audit evidence and explanations	All information and explanations requested from management was provided.
Confirmation requests from third parties	We send confirmation requests to all investment managers. The number of requests sent were 23 and all of these requests were returned with positive confirmation. We are completing our audit procedures in respect of reviewing these confirmations but at the time of drafting this report no matters have been identified.
Accounting practices	We have evaluated the appropriateness of the Pension Fund's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

© Grant Thornton UK LLP.

2. Financial Statements: other communication requirements



Our responsibility

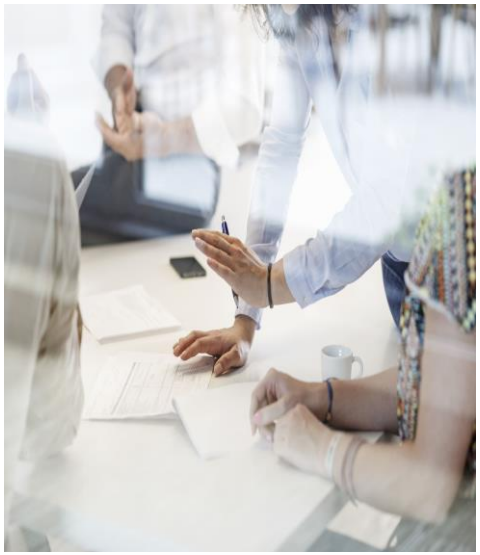
As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Pension Fund meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Pension Fund and the environment in which it operates • the Pension Fund's financial reporting framework • the Pension Fund's system of internal control for identifying events or conditions relevant to going concern • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

© Grant Thornton UK LLP.

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	The Pension Fund's accounts form part of the Council's financial statements. We are required to read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority. We will provide the comment once we have completed our work on the Administering Authority's accounts.
Matters on which we report by exception	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. We propose to issue our 'consistency' opinion on the Pension Funds Annual Report once we have completed our work on the Administering Authority's accounts.



© Grant Thornton UK LLP.

3. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. 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 May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

© Grant Thornton UK LLP.

3. Independence and ethics

Audit and non-audit services

The following audit services were identified which were charged in the current financial year, as well as the threats to our independence and safeguards that have been applied to mitigate these threats. Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards.

Service	Fees £	Threats identified	Safeguards
Audit related			
IAS 19 Assurance letters for Admitted bodies	19 200	Self-interest (because this is a recurring fee)	Fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. There is fixed charge of £6 000 and 12 IAS 19 letters at £1 100 per response. The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee proposed for this work of £19,200 in comparison to the total fee for the audit of £38,193 and in particular relative to Grant Thornton UK LLP's turnover overall is low. 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.

These services are consistent with the Pension Fund's policy on the allotment of non-audit work to your auditors. All services have been approved by the Corporate Governance Committee. None of the services provided are subject to contingent fees.

© Grant Thornton UK LLP.

3. Independence and ethics

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Pension Fund that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Pension Fund held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Pension Fund as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Pension Fund.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Corporate Governance Committee, Pensions Board, senior management or staff that would exceed the threshold set in the Ethical Standard.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

© Grant Thornton UK LLP.

Appendices

A. Communication of audit matters to those charged with governance

B. Action plan – Audit of Financial Statements

C. Follow up of prior year recommendations

D. Audit Adjustments

E. Fees and non-audit services

F. Auditing developments

© Grant Thornton UK LLP.

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

© Grant Thornton UK LLP.

B. Action Plan – Audit of Financial Statements

We have not identified any new recommendations for the Pension Fund at this time as a result of issues identified during the course of our 2022/23 audit. We have rolled forward one recommendation from last year in respect journals below £20 000 not being authorised. We recommend automated preventative segregation of duty controls are built into the finance system to prevent transactions being entered and approved by the same user. All journals should be approved by a separate individual regardless of journal value.

© Grant Thornton UK LLP.

C. Follow up of prior year recommendations

We identified the following issues in the audit of Leicestershire County Council Pension Fund's 2021/22 financial statements, which resulted in five recommendations being reported in our 2021/22 Audit Findings Report. We have followed up on the implementation of our recommendations. Three recommendations have been fully addressed and one recommendation not addressed and one partially addressed. Regards our recommendation in respect of IT security covered the Administering Authority with some elements related to Oracle linked to the Pension Fund. We are still awaiting the final report from IT to complete their testing to determine if the IT recommendation has been resolved.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Journal controls-senior officers of the corporate finance team** Senior officers have access privileges built into the financial system which allow them to be able to enter journals. As senior officers, this privilege is deemed incompatible with the role, and is an enabler of management override of control.	In our journal entry testing, there were no journals processed by senior officers.
X	**Journal controls-lack of segregation of duties** The journal entries process does not require approval for entering journals below £20 000. Failure to have a separate prepare and approver for journals could promote fraudulent financial reporting though we note this would require the entering of multiple journal entries below £20 000 for the impact to be material. We note that journal entries entered during the year which were below £20 000 had a combined value which was below £1m hence having a low risk of material misstatement.	We noted that journals below £20 000 have a combined value of £22m were not approved/ authorized. We also note that for such journals access is restricted to specific officers in the central technical accounting team only.

Assessment

✓ Action completed

X Not yet addressed

© Grant Thornton UK LLP.

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**No evidence of review of assumptions used in the valuation of the Pension Fund's direct property portfolio** Colliers Capital is engaged by the Pension Fund as an expert to value the Pension Fund's direct property portfolio. As part of this valuation exercise, Colliers provides the Pension Fund with assumptions to be used in valuing the portfolio. However, as part of the audit we were not provided with evidence of review by the Pension Fund of the assumptions used in the valuation process. Lack of review of these assumptions could result in errors going undetected. Further, lack of review does not evidence that the Pension Fund is taking ownership of the services being provided by the expert by the expert noting that the values provided will be reported by the Pension Fund in the financial statements	Management have utilized internal qualified property valuer to review the valuations.
X	**Internal controls reports and bridging letters** Fund officers regularly review services provided by Investment Managers and other service providers. As part of this monitoring exercise, management are delegated the task of reviewing investment manager control reports. As part of the audit, we were not provided with the below service organization reports: -KKR &Co -Catapult Ventures Matters that could potentially contradict the accuracy of services provided with specific regard to the valuation of investments could go unnoticed where these reports are not reviewed.	From our testing we note some investment managers have issued control reports with the exception of KKR and JP Morgan service organisation reports.

Assessment

✓ Action completed

X Not yet addressed

© Grant Thornton UK LLP.

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	We identified a number of controls issues in security and access of Leicestershire County Council's IT systems that is, Oracle Fusion and Active Directory: - we noted that there was inadequate control over third party users assigned privileged access to Oracle Identify Cloud Service. - We noted weak password configuration settings for Oracle Fusion. - We noted inadequate controls over batch job management in Oracle Fusion	No such instances were noted in our testing

Assessment

✓ Action completed

X Not yet addressed

© Grant Thornton UK LLP.

D. 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

No adjusting misstatements have been identified.

Misclassification and disclosure changes

Disclosure	Auditor's findings	Adjusted?
Investment property	The code requires that the gross rental income and gross direct operating expenses (including repairs and maintenance) arising from investment property be disclosed in the notes. Management has disclosed the net amount in note 11.	Yes
Audit fees	Agreed audit fees disclosed in the SOA were disclosed as £36,793 when the agreed fees is £57,393 Management has agreed to amend the accounts.	Yes
Key management personnel	The contribution rate used was 27.3% instead of 28.30%. Management has updated the contributions payable by the key management personnel using the correct rate	Yes

© Grant Thornton UK LLP.

D. Audit Adjustments continued

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Pensions Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2023 and the valuation statements received from the third party investment managers.	(10,593)	10,593	10,593	Not material quantitatively or qualitatively.
Overall impact	**(10,593)**	**10,593**	**10,593**	

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements.

Detail	Pension Fund Account £'000	Net Asset Statement £' 000	Impact on total net assets £'000	Reason for not adjusting
Differences identified between the value of investments disclosed in the financial statements where some of the values are estimates at 31 March 2022 and the valuation statements received from the third party investment managers. As assets are revalued at 31 March 2023 there is no impact upon the 2022/23 financial statements.	(7,951)	7,951	7,951	Not material.
Overall impact	**(7,951)**	**7,951**	**7,951**	

© Grant Thornton UK LLP.

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee £
Pension Fund Audit	
Scale Fee	22,805
Investment valuation	2,188
ISA 540	3,600
Impact of ISA 315	3,000
Work on triennial valuation member data *	5,000
Derivatives and other complex investments	1,100
Payroll-change of circumstances	500
Subtotal	38,193
IAS 19 Assurance letters for Admitted bodies	19,200
Total audit fees (excluding VAT)	£57,393

© Grant Thornton UK LLP.

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'
This impacts audits of financial statement for periods commencing on or after 15 December 2021.
ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'
ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

Area of change	Impact of changes
Risk assessment	The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of: • the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures • the identification and extent of work effort needed for indirect and direct controls in the system of internal control • the controls for which design and implementation needs to be assess and how that impacts sampling • the considerations for using automated tools and techniques.
Direction, supervision and review of the engagement	Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.
Professional scepticism	The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to: • increased emphasis on the exercise of professional judgement and professional scepticism • an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence • increased guidance on management and auditor bias • additional focus on the authenticity of information used as audit evidence • a focus on response to inquiries that appear implausible
Definition of engagement team	The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor. • Consideration is also being given to the potential impacts on confidentiality and independence.
Fraud	The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to: • clarification of the requirements relating to understanding fraud risk factors • additional communications with management or those charged with governance
Documentation	The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.

© Grant Thornton UK LLP.



© Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

APPENDIX D

Leicestershire County Council

Grant Thornton UK LLP
17th Floor,
103 Colmore Row,
Birmingham
B3 3AG

20th May 2024

Dear Grant Thornton

Leicestershire County Council
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council's financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("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 Council's 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. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or

Corporate Resources

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

Declan Keegan, Director of Corporate Resources

www.leics.gov.uk

disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for 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.

vii. The prior period adjustments disclosed in Note 8 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

viii. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

ix. Except as disclosed in the Council's 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.

x. 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.

xi. 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.

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

xiii. We have considered the unadjusted misstatements schedule, including disclosures included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council. The financial statements are free of material misstatements, including omissions.

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

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

xvi. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease the Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvii. We have considered whether the Council is required to reflect a liability in respect of equal pay claims within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that:

a. The Hay Job Evaluation system (which is used across jobs in the Council's main pay grade structure) continues to ensure that there is no significant discrimination in basic pay. This provides significant reassurance that Leicestershire County Council provides fair pay and reward to Council employees.

b. We conduct an equal pay audit every three years.

xviii. We have undertaken a review of all operational Council buildings for instances of reinforced autoclaved aerated concrete (RAAC) and can report that there are no cases of RAAC discovered within any of our maintained schools. However, RAAC was discovered in one vacant office location which has been mitigated following advice from specialist advisors and does not present any significant financial liabilities.

Information Provided

xix. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

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

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

xxii. 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.

xxiii. 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:

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.

xxiv. 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.

xxv. 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.

xxvi. 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.

xxvii. 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

xxviii. 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

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

Approval

The approval of this letter of representation was minuted by the Council's Corporate Governance Committee at its meeting on 20 May 2024.

Yours faithfully

Name……

Position……..

Date……..

Name……

Position……..

Date……..

Signed on behalf of the Council

APPENDIX E

Leicestershire County Council

Grant Thornton UK LLP
17th floor, 103 Colmore Row
Birmingham
B3 3AG

20 May 2024

Dear Sirs

Leicestershire County Council Pension Fund
Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Leicestershire County Council Pension Fund for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 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 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Fund and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Fund has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include fair value determination for investments held by the fund. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. Except as disclosed in the financial statements:

    a. there are no unrecorded liabilities, actual or contingent

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

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

APPENDIX E

vii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

viii. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

ix. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Fund and its financial position at the year-end. 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 have updated our going concern assessment. We continue to believe that the Fund's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that that :

a. the nature of the Fund means that, notwithstanding any intention to liquidate the Fund or cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Fund's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Fund's ability to continue as a going concern need to be made in the financial statements.

Information Provided

xiii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Fund via remote arrangements 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;

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

APPENDIX E

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 Leicestershire County Councils Corporate Governance Committee at its meeting on 20 May 2024.

Yours faithfully

Name……

Position……

Date……

Name……

Position……

Date……

Signed on behalf of the Fund

This page is intentionally left blank

Grant Thornton

Auditor's Annual Report on Leicestershire County Council

2022/23

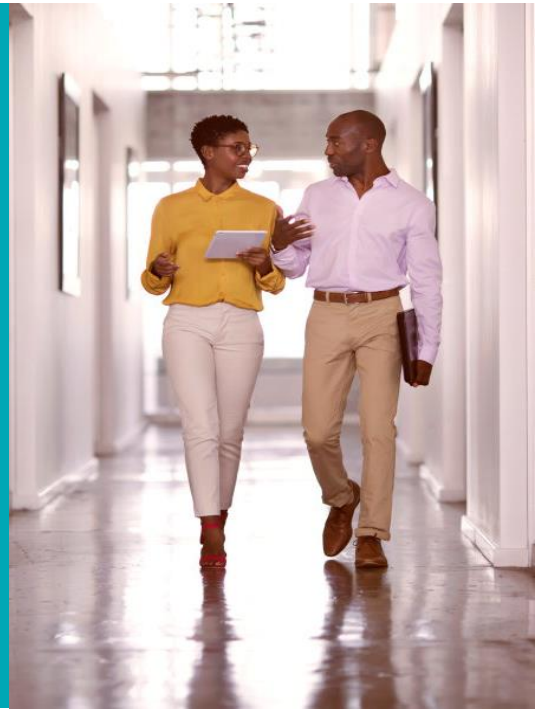
January 2024



Contents

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



Section	Page
Executive summary	03
Use of auditor's powers	08
Securing economy, efficiency and effectiveness in its use of resources	09
The current LG landscape	10
Financial sustainability	12
Financial governance	20
Improvement recommendations	21
Governance	25
Improvement recommendations	30
Improving economy, efficiency and effectiveness	35
Improvement recommendations	47
Follow-up of previous recommendations	53
Opinion on the financial statements	57
Appendices	
Appendix A – Responsibilities of the Council	59
Appendix B – An explanatory note on recommendations	60

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

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

© 2023 Grant Thornton UK LLP.

Executive summary

Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Auditors are required to report their commentary on the Council's arrangements under specified criteria and 2022/23 is the third year that we have reported our findings in this way. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Where we identify significant weaknesses in arrangements, we are required to make recommendations so that the Council may set out actions to make improvements. Our conclusions are summarised in the table below.

Criteria	2022/23 Audit Plan risk assessment	2022/23 Auditor judgement on arrangements		2021/22 Auditor judgement on arrangements		Direction of travel
Financial sustainability	We have identified a potential risk of significant weakness in respect of the Council's financial sustainability (including its management of Special Educational Needs Expenditure and Dedicated School Grant Deficit).	A	No significant weaknesses in arrangements identified, but three improvement recommendation made.	A	No significant weaknesses in arrangements identified, but two improvement recommendations made.	⟷
Governance	We identified a potential risk of significant weakness regarding governance related to the development of appropriate and effective governance arrangements for the East Midlands Freeport.	A	No significant weaknesses in arrangements identified, but four improvement recommendation made.	A	No significant weaknesses in arrangements identified, but three improvement recommendations made.	⟷
Improving economy, efficiency and effectiveness	We have identified a potential risk of significant weakness within the Special Educational Needs Service with regard to Education, Health and Care Plans for children.	A	No significant weaknesses in arrangements identified, but five improvement recommendation made.	A	No significant weaknesses in arrangements identified, but two improvement recommendations made	↓

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

© 2023 Grant Thornton UK LLP.

Executive summary (continued)

Financial sustainability

Leicestershire County Council has a good track record of sound financial management. However; it faces significant financial challenges over the coming years and this is of concern. We have not reported a significant weakness in 2022/23 as we are satisfied that the Council has appropriate arrangements in place to manage the financial resilience risks it faces in the short to medium term.

While we note the relatively strong arrangements in place, given the uncertainty around the government's funding plans, increasing costs and the continued demand on services, the Council will need to ensure it maintains its robust and effective framework of financial governance.

A key area of concern is the Council's significant Dedicated Schools Grant (DSG) deficit which continues to increase each year. The cumulative deficit was £35.5 million at the end of 2022/23 financial year. In 2023/24 there is a funding gap of £13.3 million which will be carried forward as an overspend against the grant. The estimated cumulative deficit position of circa £90 million at the end of the 2026/27 financial year.

We note that Council has put in place measures to resolve the DSG deficit. The Transforming SEND in Leicestershire (TSIL) programme is mobilised and has been categorised into individual workstreams focusing on changes to the whole SEND system to ensure that children with special educational needs and disabilities have their needs met at the right time, in the right place and with the right support. In February 2023, the draft 2023/24 to 2026/27 MTFS reported that based on the current trajectory of growth; the TSIL programme is expected to deliver £32.1 million in financial benefits to 2028/29 with £21.5 million delivered over the period of the MTFS. The programme was forecast to deliver £3.1 million savings in 2023/24. However from review of oversight reporting we note that this was re-profiled in May 2023 and now plans to deliver £1.85 million in year 1.

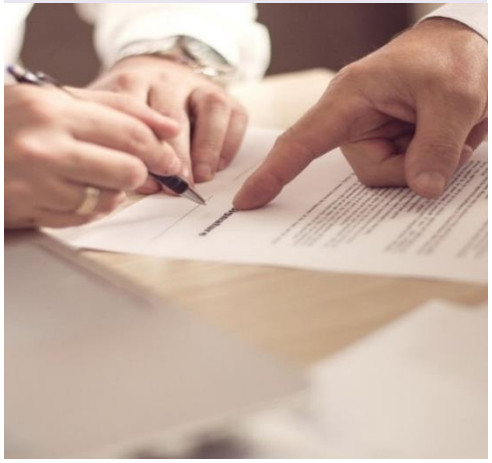
We have not reported a significant weakness in this area as this is a national challenge and the Council is not an outlier in its position. We also note the programmes in place to reduce the deficit. However, the Council does need to ensure that the Transforming SEND and Inclusion in Leicestershire (TSIL) programme deliver the planned savings and that the deficit does not rise to the projected £90 million.

Summary

We have not reported any significant weaknesses with regard to the Council's financial sustainability. We have raised three improvement recommendations in respect of financial sustainability. These can be found on pages 20 - 22 of this report.

Financial Statements opinion

Our work on your financial statements is in progress. We anticipate issuing an unqualified audit opinion following receipt of outstanding evidence to support land and building valuations.



© 2023 Grant Thornton UK LLP.

Executive summary (continued)

Governance

Leicestershire County Council has a governance framework in place which directs decision making processes and supports the management of risk.

Arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken. The Council has in place a Leader /Cabinet model of Governance. The Constitution includes the principles of decision making and the rules, codes and protocols that govern how the Council operates. The Constitution also sets out the functions of the statutory posts of Head of Paid Service, Monitoring Officer, Chief Finance Officer and designated Scrutiny Officer.

The Council has a risk management framework in place that is adequately documented and supported by oversight from the Corporate Governance Committee (CGC). There are Departmental Risk Registers in place and a Corporate Risk Register (CRR) which contains the most significant risks which the Council is managing. These are owned by the Council's most Senior Officers, and include (but not limited to):

- Medium Term Financial Strategy risks
- ICT, Information Security risks
- Commissioning and Procurement risks and
- People risks

The arrangements in place ensure there is regular reporting and oversight by both the Corporate Management Team and Corporate Governance Committee to provide assurance that risks are being appropriately monitored and managed.

The Council have adequate arrangements in place to provide in house Internal Audit and Counter Fraud Services. Regular reporting is provided to the CGC with evidence of appropriate oversight and challenge.

Net Zero

Net Zero refers to the point at which carbon emissions being emitted into the atmosphere are balanced with their removal, meaning there is no overall addition to atmospheric levels. The Council declared a climate emergency in 2019 and has developed plans to achieve Net Zero in both its own operations and across Leicestershire. The Leicestershire County Council Strategic Plan 2022–26 has also been updated; it is based on five strategic outcomes that outline the Council's vision for Leicestershire. Amongst the five outcomes, is the Clean and Green outcome, to protect and enhance the environment and tackle climate change.

A Carbon Reduction Roadmap for the Council to achieve net zero emissions for its own operations by 2030 was initially approved by full Council in July 2020 and is being delivered through a programme of Council projects. In its report to Cabinet in April 2022, the Council reported that it had delivered a 74% reduction in its emissions by the end of 2020/21 and is on track to deliver by 2030.

Summary

We have not identified any areas of significant weakness in the Council's arrangements. We have raised four improvement recommendations to further enhance and strengthen those processes in place. These can be found on pages 27 – 30 of this report.

© 2023 Grant Thornton UK LLP.

Executive summary (continued)



Improving economy, efficiency and effectiveness

Council wide performance monitoring

The Council has embedded processes in place to monitor and report upon its Strategic and Departmental performance. The Annual Delivery report sets out the projects and activities that have been undertaken against each of the priorities in the Council's Strategic Plan and is supported by the Performance Compendium. The compendium uses performance indicators to compare the performance of the Council over time against targets and with other Local Authorities.

The report documents that for 2021/22, Leicestershire County Council ranked 5th in performance terms compared to other counties and has the lowest core spending power per head. However, for 2022/23 it identifies that a larger proportion of indicators had deteriorated when compared with 2021/22 data. This is reported to be due to the low-funded position affecting the levels of service it could provide and that outcomes were likely to deteriorate further. 76 indicators recorded an improved position in 2022/23 when compared to 2021/22. However, 83 recorded a deteriorated position. Of particular note were those indicators related to Transport. 10 out of 18 indicators are displaying lower performance than the prior year. These include satisfaction with local bus services, cycle routes and facilities, rights of way, pavements & footpaths, traffic levels & congestion and road safety. Strong Economy, Transport and Infrastructure is a key priority within the Council's Strategic Plan.

Departmental performance

Departmental key performance measures are reported to Overview and Scrutiny Committee on a quarterly basis. The metrics of these reports are also aligned to the Council's Strategic Plan and include any mandatory reporting items. Performance is RAG rated and, where available, compared with national benchmarking data. Quarter 4 reporting for Childrens and Family Services records that of the 10 indicators with a national benchmark; three are in the top quartile, two are in the second quartile, four are in the third quartile, and one is in the fourth quartile. The KPI in the fourth quartile relates to the percentage of re-referrals to Children's Social Care within 12 months. This was 23.5% at the end of quarter 4 compared to 22.8% at the end of the previous quarter, with 347 children 're-referred' within Quarter 4. This is against a target of 22%. However the report does note that more recent analysis shows a decrease in the rate of re-referrals to 21.9% which exceeds the target.

Compliments and complaints

Processes such as receiving compliments and complaints also provide the Council with important information in respect of its departments and performance of its services. Statutory regulations allow up to 65 working days for complaints to be resolved. Complaints investigated within Childrens Social Care showed a worsening position overall for time taken in each category when compared to the previous year. Most notably there has been a 22% increase in the number of complaints responded to in excess of 65 working days. The Council has reported that Completion of Stage 2 investigations within the statutory guidelines has continued to be a challenge during the year with none of the 10 completed investigations achieving this.

© 2023 Grant Thornton UK LLP.

Executive summary (continued)

Improving economy, efficiency and effectiveness

SEND

The Leicestershire local area was subject to a SEND re-inspection in November 2022. The purpose of the visit was to consider the progress made in addressing two previously reported significant weaknesses. The report concluded that there has been sufficient progress in addressing the Lack of a joint commissioning strategy but has not made sufficient progress in respect of the quality of Health and Care Plans (EHCP). To address the issues, an Accelerated Progress Plan (APP) has been developed which reflects the high-level actions that will be taken across the Leicestershire local area. The APP and on-going Transforming SEND in Leicestershire (TSIL) activity will be incorporated into a refreshed SEND and Inclusion Strategy 2023-26 which is planned to be published in 2023.

Procurement

Our review of procurement has noted a significant increase in contract exceptions and extensions year on year. We have concluded that while there are processes in place for granting and approving contract exceptions and extensions; there is a risk that the number of exceptions and extensions indicates inefficient or ineffective procurement and contract management processes. We have raised an improvement recommendation on this matter.

Commercial ventures and Partnerships

The Council has a number of commercial and collaborate partnership working arrangements in place. We have included some commentary in respect of the complexity of some of these arrangements (particularly with regard to the East Midlands Freeport) and have included a recommendation to ensure that appropriate governance arrangements are in place and that there is appropriate oversight and assurance in respect of any emerging risks to the Council.

Summary

We have not reported any areas of significant weakness in the Council's arrangements. We have raised five improvement recommendations to further enhance and strengthen those processes in place. These can be found on pages 44 – 48 of this report.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by Council officers, Council Members and external stakeholders with whom we have engaged during the course of our review.

© 2023 Grant Thornton UK LLP.

Use of auditor's powers

We bring the following matters to your attention:

	2022/23
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	We did not make any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	We did not issue a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	We did not make an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	We did not issue any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	We did not make an application for judicial review.

© 2023 Grant Thornton UK LLP.

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

Financial sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

Our commentary on the Council's arrangements in each of these three areas, is set out on pages 10 to 48.

In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary:

- Review of Council, Cabinet and committee reports
- Regular meetings with senior officers
- Interviews with other members and management
- Attendance at Corporate Governance Committee
- Considering the work of internal audit
- Reviewing reports from third parties including Ofsted
- Reviewing the Council's Annual Governance Statement and other publications

© 2023 Grant Thornton UK LLP.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the COVID-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

© 2023 Grant Thornton UK LLP.

The current LG landscape (continued)

Local context

Leicestershire is a predominantly rural County with 82% of Leicestershire's area classified as rural while 70% of the population live in its towns and urban areas.

Leicestershire comprises of seven Local Authority districts and covers an area of 208,000 hectares, with a population of around 713,000 people. Leicestershire has an aging population with over 26% aged 60 and over. The population has grown by 9.5% since the 2011 Census, which is faster than the national and regional growth rates. The County population is predicted to reach 860,000 by 2043, with particular growth among the over 70's.

Leicestershire is a relatively affluent County; however, some pockets of significant deprived areas fall into the 10% most deprived neighbourhoods in England. There is an eight-year difference in life expectancy at birth between males in the most deprived decile and least deprived decile of the population.

Leicestershire remains the lowest funded County Council in the country. The Council's financial position continues to be extremely challenging, with £250 million saved since 2010 and a further £150 million to save by 2026/27.

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

The Plan sets is vision around 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 it wants people to see and experience in their daily lives.



© 2023 Grant Thornton UK LLP.

Financial sustainability

We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Outturn 2022/23

The County Council is operating in an extremely challenging financial environment following a decade of austerity and spending pressures. The financial impacts of the pandemic are still ongoing and may take many years to unwind. Despite these pressures, the Council has continued to manage its financial position well.

The Council approved the 2022/23 to 2025/26 Medium Term Financial Strategy (MTFS) in February 2022. The provisional outturn position at 31st March 2023 was provided to Cabinet in May 2023 and reported a net underspending of £6.7 million against a total net revenue budget of £471.7 million, that is approximately -1.4% variance.

There were some significant variances to the budget with a total revenue budget overspend of £8.353 million, equivalent to 1.8%. This was offset by underspends across the Council, additional income and releasing the £8 million Risks Contingency as an underspend; leading to a net underspend outturn position overall.

Pressures on demand led services within Children and Family and Adults and Community Services continue; exacerbated by the needs and demands arising post Covid-19 and more recently by the current and on-going cost of living pressures.

We note that all variances are clearly set out within the budget outturn report and from review we can evidence where the Council has instigated further action or investigation in respect of significant variances; in particular overspends.

A summary of service area net under and overspend outturn position is shown opposite. Further details and some key areas to note are shown in the attached table opposite.

Service Area Over / Underspends 2022/23:

Service Area	Net Over / Underspend (-) £000	% of budget
Schools	-1,826	-2.1
Early Years	1,026	2.8
High Needs	6,684	7.1
LA Budget:		
Children & Family Services	3,127	3.3
Adults & Communities	3,124	1.7
Environment & Transport	-1,846	-2
Chief Executives	-114	-0.7
Corporate Resources	1,626	4.1
Public Health (Grant Funded)	0	0
Contingency for Inflation	7,120	n/a
MTFS risks contingency	-8000	-100
Total LA Budget Overspend	**5,036**	**1.2**

© 2023 Grant Thornton UK LLP.

Financial sustainability (continued)

Medium Term Financial Strategy (MTFS)

The Council has a robust organisational approach to financial planning and setting the annual budget.

The MTFS is a rolling financial plan that is updated annually. The Council has clear processes to recognise, assess and evaluate the impact of changes in expenditure drivers, for example unavoidable cost pressures such as inflation and pay uplifts, and reflect and document these in its planning.

In February 2023, Cabinet approved the Leicestershire County Council four year MTFS to 2026/27, which incorporates a revenue budget for 2023/24 totalling £512.1 million. The MTFS provides a balanced budget in 2023/24 based on a Council Tax increase of 4.99% (including the social care levy) and a savings requirement of £12.3 million.

Based on its assumptions around growth and demand; the MTFS has identified gaps in funding of £13 million in 2024/25 rising to £88 million in 2026/27. In addition, delivery of the MTFS requires a significant level of planned savings which is in excess of £37 million to be made between 2024/25 and 2026/27 as demonstrated in the table below.

This represents the significance of the financial challenge faced by the Council over the coming years. In September 2023 the Council reported to Cabinet on its continuing challenging financial outlook and provided an overview of its current financial position which, at period 4, was forecasting a projected net overspend of £8.9 million. There is a Risks Contingency of £10 million built into the MTFS and we note the Council's intention to utilise this along with appropriate earmarked reserves to close any overspend at the end of the financial year.

The Council has a robust approach to identifying savings with robust monitoring and reporting against its savings plan.

There is a good track record of delivering savings with monitoring and oversight through the Transformation Delivery Board; from our review of a sample of reports we confirmed clear and transparent reporting over delivery, which provides a RAG rated risk of delivery for each programme alongside the direction of travel since the last meeting – providing assurance and highlighting areas of risk.

From our review of monitoring and reporting records we note that, at period 5, the Council is forecasting to deliver 99% of its 2023/24 savings plan.

£million	2022/23	2023/24	2024/25	2025/26	2026/27
Savings Plan	17,750	12,330	23,440	30,525	37,165
MTFS Shortfall (Funding Gap)	0	0	12,968	49,763	88,063
TOTAL Savings Required (Excluding DSG)	17,750	12,330	36,408	80,288	125,228

Improvement recommendation 1.

Local Government Finance Settlement

The Government announced the Provisional Local Government Finance Settlement for 2023/24 in December 2022, with the Final Settlement confirmed in February 2023. The Settlement distributes a range of grants and business rate income allocations to local authorities, and these should be included in the annual budget.

The Final Settlement for 2023/24 distributed £17.1 billion of funding to Local Authorities, a 4.8% increase in cash terms from 2022/23.

The Settlement also provides the Core Spending Power for Local Authorities, which is the level of resources assumed available to fund the net budget. Core Spending Power includes the levels of government grant for the coming year, for example revenue support grant, new homes bonus and social care grants. It also includes assumed levels of business rate income.

Core Spending Power includes the assumption that local authorities will increase council tax up to the referendum limit, which for 2023/24 is 3% plus an additional 2% for upper tier authorities who provide adult social care services. District Councils can increase council tax by £5 or 3%, whichever is higher.

The Government will undertake Spending Reviews that set out government departmental budgets over a period of 3 years, including local government. These reviews are different to, but inform, the annual Local Government Finance Settlement.

© 2023 Grant Thornton UK LLP.

Financial Sustainability (continued)

Financial Resilience

Adults and Communities

There is a net overspend of £3.1 million (1.7%) for the departmental revenue budget for 2022/23. The outturn report notes that there has been a continuing financial impact on Adult Social Care due to Covid-19 which includes additional costs for commissioned services and loss of service user income. The Council has reported that these now appear to be subsiding.

The main area of variance includes £6.6 million overspend in Residential Care and £6.5 million overspend in Homecare.

The 2023/24 period 4 monitoring report shows that the Council is forecasting an adverse outcome position at year end of £7.8 million.

Environment and Transport

The Environment and Transport budget has delivered a net underspend of £1.8 million (2.0%) overall; however does include some budget overspends, including:

Social Care Transport - External

An increase in taxis being commissioned for Social Care transport has resulted in a £1.8 million overspend equivalent to 77%. This increase is partly due to the reduction in the number of Fleet routes being operated due to unavailability of drivers and a greater demand for solo transport as a result of the Covid-19 pandemic. The overspend on ASC taxis is partially offset by an underspend on Passenger Fleet transport. A full review of all social care transport is currently underway to ensure that passengers are being transported in the most cost effective way and that fleet capacity is being fully utilised.

Inflation Contingency

The MTFS provides an estimated average pay award of 2% each year, with an allowance for higher increases in the lower grades to reflect the impact of the National Living Wage. The 2022/23 to 2025/26 MTFS also includes an inflation contingency of £1.63 million in 2022/23 rising to £3.63 million in future years; overall this provides £29 million for inflation in 2022/23 rising to £72 million by 2025/26.

The 2022/23 outturn reports that the contingency is overspent by £7.1 million. The majority of the overspend is related to the pay award for 2022/23 of £1,925 on each scale point, equating to an average increase of 6.4% - the cost in excess of the estimate in the inflation contingency (based on 3%) is around £7 million. Running costs have also been higher than anticipated, particularly regarding electricity contracts, where increases of around 100% have been incurred.

The 2023/24 to 2026/27 MTFS includes a £109 million provision for pay and price inflation. The draft MTFS assumes 10% inflation in 2023/24, 6% in 2024/25 and 3% per annum in 2025/26 and 2026/27.

The 2023/24 period 4 monitoring report shows that the Council is forecasting an adverse outcome position at year end of £4 million.



Adult Social Care

Single and upper tier Councils are responsible for providing adult social care (ASC) services to help adults of all ages who may need additional support to stay well, safe and where possible to live independently.

ASC represents a significant part of Council spending with £19 billion nationally being spent in 2021/22 with budgeted expenditure rising to £19.7 billion in 2022/23, reflecting growing demand.

There have been several reforms to ASC funding for Councils over recent years, including the introduction of the Better Care Fund and giving Councils the power to raise additional revenue locally though Council Tax (the social care precept). Despite these changes Councils are delivering ASC services within a challenging environment that is shaped by more people, particularly working-age adults, requesting support, an ageing population and increasing complexity of need. These factors are being managed by Councils alongside financial challenges such as the impact of inflation, acute workforce pressures, the sustainability of commissioned ASC providers and uncertainty around longer term ASC funding and reform.

Despite these pressures Councils will need to establish sufficient capacity to track and then transform service delivery to meet the challenges of evolving need and demand.

© 2023 Grant Thornton UK LLP.

Financial Sustainability (continued)

Financial Resilience - continued

Children and Family Services

The Children and Family Services Local Authority budget is overspent by a net £3.1 million (3.3% overall), this includes overspends within the SEN service budget, unaccompanied asylum seeker children (UASC) budget, and a combination of children's social care pressures totalling £0.8 million:

Children's Social Care - Section 17/23 (Children in Need).

Increase in demand for support, impacted by cost of living pressures has resulted in an overspend position of £0.4 million which is a 104% adverse budget position. Section 17 of the Children Act 1989 imposes a general duty on local authorities to safeguard and promote the welfare of "children in need" in their area. To fulfil this duty, Section17 gives local authorities the power to provide support, including accommodation and financial subsistence to families with "children in need". Such support is seen to be a preventative measure to prevent further escalation of support and costs. Further work has been commissioned internally to try to understand such pressures and will support future analysis and its likely subsequent financial impact on the MTFS.

Children's Asylum Seekers Budget

The rapid increase in Unaccompanied Asylum Seeker Children (UASC) in care and care leavers has required a greater resource requirement to meet their needs; contributing to an overspend position of £0.4 million which is a 27% adverse budget position. The different entry routes include both the National Transfer scheme, as well as spontaneous arrivals, but more recently through the hotel dispersal scheme where requests to accommodate people placed in Asylum Dispersal Hotels in Leicestershire are made, and whilst they have been deemed adults by the Home Office, subsequently claim to be children, and creates an additional pressure for the service to manage which is not fully funded. In addition, delays in asylum claim processes mean that the Council is often accommodating young people well past 18 and the Home Office funding drops significantly at 18 but the costs remain the same.

SEN Service Budget

The SEN service overspend is equivalent to 27% at £0.5 million and is as a result of increased service demand and complexity which has resulted in the need for additional service resource, some of which is having to be met from the agency market to ensure demand can be managed effectively.

The 2023/24 period 4 monitoring report shows that the Council is forecasting an adverse outcome position at year end of £7.9 million. The pressures on Children's Services are significant and this should be an area of focus by the Council.

Cost of Living Crisis

The rising costs of fuel, food and other essentials are combining with existing disadvantage and vulnerability and putting many households at greater risk of both immediate hardship and reduced opportunity and wellbeing.

Councils and local partners continue to do what they can to protect people against higher costs, targeting help at those facing the most complex challenges.

Councils' range of front-line services play a vital role in protecting residents from rising costs; preventing the most vulnerable from falling into destitution and helping to build households long-term financial resilience.
The dramatic increase in inflation alongside increases to the National Living Wage, have added £2.4 billion in extra costs onto the budgets of Councils in 2022/23. In 2023/24 Councils are facing a funding gap of 3.4 billion, with a funding gap of £4.5 billion the following year.

To support its most vulnerable residents through the cost-of-living crisis, Councils face additional cost-pressures which will need to be addressed to avoid further cuts to vital frontline services.

© 2023 Grant Thornton UK LLP.

Financial Sustainability (continued)

Financial Resilience - continued

Dedicated Schools Grant (DSG)

The DSG is a ring fenced budget which is allocated in blocks; schools, early years and high needs. The DSG has continued to overspend and in 2022/23 the High Needs Block is showing an overspend on the grant received of a net £6.7 million although this is below the £8.9 million forecast included within the original 2022/23 to 2025/26 MTFS. This has increased the cumulative deficit to £35.5 million at the end of 2022/23 financial year.

In 2023/24 there is a funding gap of £13.3 million which will be carried forward as an overspend against the grant. The increasing deficit position is demonstrated in the chart opposite with an estimated cumulative deficit position of circa £80.6 million at the end of the 2026/27 financial year.

In February 2023 the Council reported that, this financial position is unsustainable and further actions need to be taken to address the position. Whilst some of the deficit relates to increasing cost, the significant element in the worsening position is the continued rate of growth in pupils.

A statutory override has been provided by the Government which currently allows the DSG deficit to be carried over as a negative reserve. This Instrument is however time-limited and was due to end in March 2023 but in recognition of the national challenge in relation to DSG deficits was extended for a further three years to March 2026. It is unclear if the statutory override will be extended beyond March 2026. The extension is to allow councils the short-term flexibility needed to implement changes to reduce the spend within the high needs block of the DSG to a financially sustainable position, so that the costs are contained and the deficit no longer increases.

Nationally, concern over the impact of Special Educational Needs and Disabilities (SEND) reform on High Needs expenditure, and the financial difficulties this exposes local authorities to, is growing. Whilst the recently released Green Paper and Improvement Plan are set to result in systemic changes to the national SEND system, such changes may take a number of years to deliver.

Councils with a DSG deficit are required by the Department for Education (DfE) to develop and agree a DSG deficit management plan with the Council's Schools Forum.

Leicestershire has been invited into the DfE Delivering Better Value (DBV) in SEND programme as a result of the deficit. Leicestershire has received £1 million to support the transformation of the SEND system.

The Transforming SEND in Leicestershire (TSIL) programme is mobilised. The programme has been categorised into individual workstreams focusing on changes to the whole SEND system to ensure that children with special educational needs and disabilities have their needs met at the right time, in the right place and with the right support.

In February 2023, the draft 2023/24 to 2026/27 MTFS reported that based on the current trajectory of growth; the TSIL programme is expected to deliver £32.1 million in financial benefits to 2028/29 with £21.5 million delivered over the period of the MTFS.

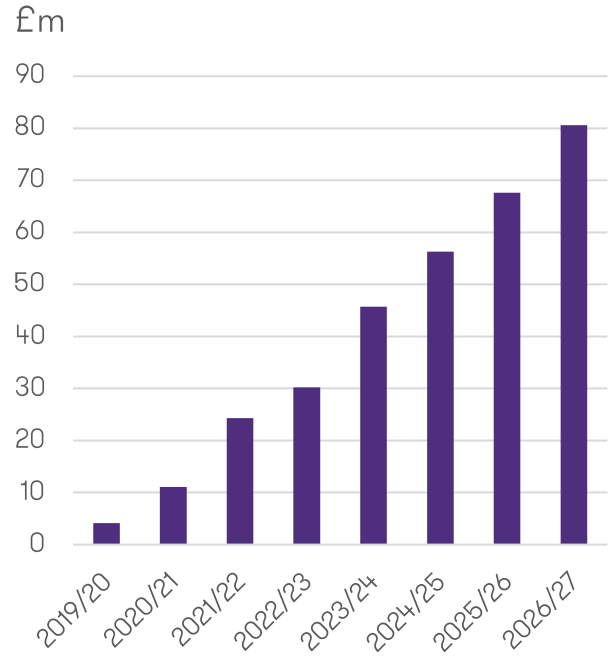
The programme was forecast to deliver £3.1 million savings in 2023/24. However from review of oversight reporting we note that this was re-profiled in May 2023 and now plans to deliver £1.85 million in year 1.

We have included an improvement recommendation to ensure that the TSIL programme is supported by robust governance arrangements to ensure that its plans deliver.

Improvement recommendation 2.

If the statutory override is not extended or financial support forthcoming to reduce the financial deficit, the DSG deficit will place significant pressure on the Council's reserves and put at risk the Council's general fund unearmarked and earmarked reserves.

Dedicated Schools Grant Cumulative Deficit



The figures shown in the above table are based on the estimated future funding gap documented within the 2023/24 – 2026/27 MTFS.

© 2023 Grant Thornton UK LLP.

Financial Sustainability (continued)

Treasury Management and Annual Investment Strategy

The Treasury Management Strategy Statement and the Treasury Management Annual Investment Strategy are approved in advance of each financial year by the full Council.

The Council's Strategy aligns with the Corporate Asset Investment Fund (CAIF) strategy (now Investing in Leicestershire Programme (IILP) strategy), which sets out the Councils approach when considering the acquisition of investments and the Capital Strategy, which sets out the Councils approach to determining its medium term capital requirements. These documents form part of the MTFS.

Treasury management, arises from the organisation's cash flows or treasury risk management activity; this type of investment represents balances which are only held until the cash is required for use. Treasury investments may also arise from other treasury risk management activity which seeks to prudently manage the risks, costs or income relating to existing or forecast debt or treasury investments.

The Council's Investment Strategy documents that it aims to achieve an optimal return on its investments that is commensurate with proper level of security and liquidity. This is supported by its risk appetite which is considered as low in order to give priority to security of its investments.

Surplus monies are invested in low risk counterparties or instruments providing adequate liquidity initially before considering investment return.

The Treasury Management Strategy requires quarterly reports to be presented to the Corporate Governance Committee, to provide an update on any significant events in treasury management.

From our review of a sample of reports, we noted that the content provides a clear overview of the actions taken in respect of treasury management for the quarter to provide assurance to the CGC that the Council's Treasury Management arrangements are appropriate and regularly monitored.

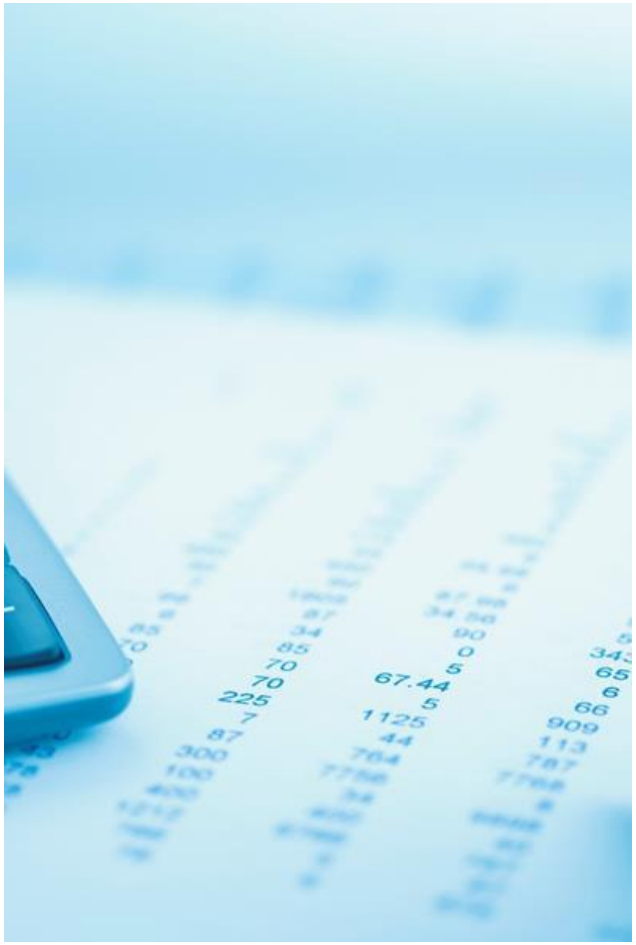
The second main function of the Treasury Management service is the funding of the Council's capital plans. These provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses.

Treasury risk management at the Council is conducted within the framework of CIPFA's Treasury Management Code of Practice.

The capital financing requirement (CFR) measures the Council's need to borrow for capital purposes. The total of non-current assets as at 31 March 2023 was £1.1 billion and the CFR was £208 million. Actual debt was £262 million as at 31 March 2023. The difference between the CFR and the actual debt is an overborrowed position of £54 million, pending the repayment of debt.

During 2022/23 no new external loans were raised.

Although the level of actual debt currently exceeds the CFR, the Council is forecasting an under borrowed position of £49 million by 2027, in its 2023/24 to 2026/27 MTFS.



© 2023 Grant Thornton UK LLP.

Financial Sustainability (continued)

Capital Programme

The Council approved the 2022/23 to 2025/26 MTFS in February 2022. Over the period of the MTFS, a Capital Programme of £515 million is required of which £129 million was planned for 2022/23.

This includes investment for services, road and school infrastructure; which aligns to the vision and priorities set out within the Council's Strategic Plan 2022-26.

The programme documents that the Council recognises the need to fund long term investment and has set a capital programme that includes forward funding of capital infrastructure projects for highways of £33 million (£39 million cumulative).

Capital funding available totals £372 million with the balance of £143 million being temporarily funded from the Council's internal cash balances. This is due to the levels of internal cash balances and the interest return compared with the cost of raising new external debt it is more economical to temporarily utilise internal cash balances. The cost of raising external loans currently exceeds the cost of interest lost on cash balances by circa 1.5%.

The Council reports that, due to the strength of the County Council's balance sheet, it is possible to use internal balances (cash balances) to fund the capital programme on a temporary basis instead of raising new external loans. Levels of cash balances held by the Council comprise the amounts held for earmarked funds, provisions, the Minimum Revenue Provision (MRP) set aside for the repayment of debt and working capital of the Council.

The Council's level of external debt was £263m and not assumed to increase during the MTFS. The relative interest rates and cash balances would be kept under review to ensure that this is the right approach.

The four-year capital programme was reviewed in August 2022 and an updated programme approved by the Cabinet at its meeting on 16 September 2022.

The review led to an increase in expenditure over the four-year programme by £29 million, but a net overall reduction in discretionary funding of £9.3 million due to increased grants and additional capital receipts, totalling £38 million. These changes reduce the level of borrowing required for the capital programme to £134 million.

The updated 2022/23 budget planned delivery of £123.6 million; provisional outturn reported in May 2023 showed actual delivery of £94 million. Overall there has been a net variance of £29.6 million. This includes net slippage of £28.5 million and a net underspend of £1.1 million.

The net slippage will be carried forward to 2023/24 and future years to fund schemes that were not completed in 2022/23, with the net underspend added to the capital financing reserve.

The net underspend of £1.1m has been added to the capital financing reserve to reduce the level of internal borrowing required for the new MTFS capital programme. The net slippage of £28.5m has been carried forward to the capital programme 2023-27 to fund delayed projects.

We note that it is not unusual to see significant slippage in the capital programme during the year and note that the Council carries out a mid-year review of the capital programme during the summer in light of delays to project delivery and financial pressures on large capital projects due to increasing costs of raw materials and inflation. An updated capital programme is reported to the Cabinet in September each year.

From our review of Committee papers, we can confirm there is regular and robust reporting and oversight of progress, position and emerging risks to the programme.

The 2023/24 to 2026/27 four-year capital programme totals £509 million of which £127 million is planned for 2023/24. £123 million from internal cash balances will be used to fund the cash flow of the capital programme.

From review of the 2022/23 to 2025/26 MTFS we noted the assumption of funding of £8.7 million from capital receipts from sales. The 2022/23 draft accounts show the actual received was £1.1 million; a shortfall of £7.6 million when compared against the original forecast. We do note that the assumption was revised to £2.5 million in the September 2022 refresh, resulting in a shortfall of £1.4 million.

The 2023/24 to 2026/27 MTFS shows assumptions of capital receipts from sales amounting to £20.3 million over the four year period, with £13.4 million expected to be received in 2024/25.

The Council needs to ensure that the expectations and assumptions around asset sales are built on realistic and achievable forecasts.

Improvement recommendation 3.



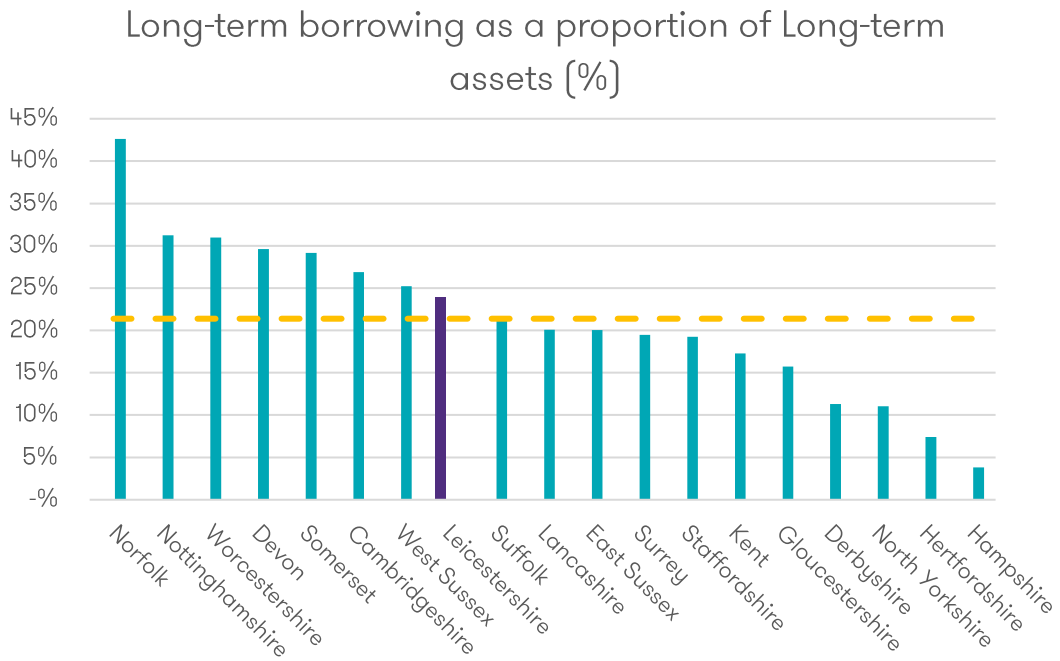
© 2023 Grant Thornton UK LLP.

Financial Sustainability (continued)

Treasury Management and Annual Investment Strategy - continued

From our benchmarking carried out we noted that Leicestershire County Council, at 24%, is just above average in terms of borrowing as a proportion of long term assets, in comparison to other County Council peers as shown in the table below. From our review carried out in 2021/22 we noted the Council was just below average. The Average long term borrowing as a proportion of long-term assets is 23%:

The level of capital borrowing is within the Council's 2022/23 Prudential Indicators that inform the Council whether its capital investment plans are affordable, prudent and sustainable.



Reserves

The purpose of the Council's general fund reserve is to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters.

It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years.

The uncommitted General Fund balance as at 31 March 2023 stands at £19 million (excluding schools' delegated budgets). This represents 3.7% of the 2023/24 revenue budget.

The Council plans to increase the General Fund to £23 million by the end of 2026/27 to reflect increasing uncertainty and risks over the medium term, and to avoid a reduction in the percentage of the net budget covered.

In line with the Council's earmarked reserves policy; based on an assessment of risk, the target level for the General Fund is within the range of 4% to 7% of net expenditure (excluding schools).

The forecast balance of £23 million (4.2%), by the end of the MTFS is within that range but towards the bottom reflecting the tighter financial pressures of the Council.

Earmarked reserves are set aside for specific purposes. The total level of earmarked reserves held as at 31 March 2023 total £194 million including schools and partnership funding.

This is a decrease of £6.2 million when compared with the start of the year balances.

From our benchmarking carried out we found that the General Fund and non-schools earmarked general fund reserves as a % of net service revenue % is calculated at 48% which is above the benchmarked average of 35%.

This suggests the Council has a good level of reserves to meet costs arising from any unplanned or emergency events .

© 2023 Grant Thornton UK LLP.

Financial Governance

Annual budget setting

The Council has appropriate arrangements in place to work internally and externally when preparing the annual budget.

The Council's Constitution includes that the responsibility for approving the budget sits with full Council. It includes Budget and Policy Framework Rules which provides an overview of the approval and consultation process.

The 2022/23 budget was approved by Full Council in February 2022, following discussion, debate and oversight through Cabinet, Scrutiny Commission and following appropriate stakeholder consultation. The outcome of the public consultation and comments from Scrutiny are appended to the MTFS.

We also evidenced that an overview of all changes made to the initial draft budget in December 2021 and the final draft for approval in February 2022 were clearly documented.

The Council's Treasury Management Strategy is approved annually by the full Council with quarterly reports to the Corporate Governance Committee (CGC). CGC considered the 2022/23 Treasury Management Strategy Statement and Annual Investment Strategy at its meeting on 28 January 2022.

Annual budget setting arrangements are well developed. It is clear that the Council has developed a robust financial planning and governance framework which incorporates budget setting responsibilities at a departmental level supported by financial business partner expertise.

Budgetary control

The Council has embedded arrangements in place to ensure budgetary control and communicate timely management information.

There are embedded processes in place for budget monitoring and reporting throughout the year. Financial Monitoring reports are considered at both Departmental Management Team (DMT) and Corporate Management Team (CMT) meetings.

There is a financial reporting framework in place which ensures financial reporting to Scrutiny Commission and Cabinet also receive oversight reports of the MTFS position.

From our review of Cabinet and Scrutiny Commission papers we noted that budget monitoring reports were received in accordance with the framework and provided a clear outline the financial position faced by the County Council and the uncertainties that the Council continues to face.

In November 2022; the period 6 revenue budget monitoring exercise showed a net projected overspend of £8.5 million which was an improved position when compared to the period 4 monitoring report which projected a net overspend of £13.6 million.

We have considered the arrangements in place for the preparing, approving and monitoring of the 2022/23 budget during what was another difficult year to accurately forecast costs and income due to the ongoing effects of the pandemic, increases in inflation and demand, and have not identified any risks of significant weakness in this area.



© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 1	The Council needs to ensure it maintains a robust framework of financial governance to ensure risks to financial resilience and sustainability are adequately monitored and controlled.
Improvement opportunity identified	Reducing spend and protecting reserves is important to ensure that the Council maintains financial sustainability in the longer term.
Summary findings	The MTFS provides a balanced budget in 2023/24; however rising costs and increasing demands on services means the MTFS has identified gaps in funding of £13 million in 2024/25 rising to £88 million in 2026/27. Delivery of the MTFS also requires a significant level of planned savings which is in excess of £37 million to be made between 2024/25 and 2026/27.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Options to balance the 2024/25 budget are currently being considered. An updated draft budget for 2024/25, along with provisional estimates for 25/26 to 27-28 (including details of planned savings programmes and other measures being taken to control future expenditure and maximise income), will be presented to the Cabinet in December 2023. Following this there will be a period of budget consultation leading to a final budget position being presented to Cabinet and Full Council in February 2024. Further savings options are being identified alongside implementation of stronger financial controls to ensure limited resources are focussed on delivering essential services.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 2	The Council needs to ensure that the Transforming SEND and Inclusion in Leicestershire (TSIL) programme is supported by robust governance arrangements that encompass both its financial challenges and those arising from service delivery, including:
	• Ensuring delivery of its planned savings.
	• Providing effective and appropriate challenge to ensure progress continues to be made in addressing the outstanding weaknesses from Ofsted and the Care Quality Commission inspections. This should include:
	  • ensuring oversight and monitoring of the Accelerated Progress Plan (APP),
	  • refreshing the SEND and Inclusion Strategy 2023-26 and
	  • Ensuring progress continues to be made in respect of reducing the timescales of completing health and care plans (EHCP)

Improvement opportunity identified	To reduce the financial deficit, and risk to the Council's reserves.
Summary findings	The DSG has continued to overspend and in 2022/23 the High Needs Block is showing an overspend of a net £6.7 million. This has increased the cumulative deficit to £35.5 million at the end of 2022/23 financial year. In 2023/24 there is a funding gap of £13.3 million which will be carried forward as an overspend against the grant. The increasing deficit position is estimated to reach £90 million at the end of the 2026/27 financial year. The TSIL programme was forecast to deliver £3.1 million savings in 2023/24. However this was re-profiled in May 2023 and now plans to deliver £1.85 million in year 1. The governance arrangements in place to deliver the TSIL programme and APP are still in their infancy and may take time to embed.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area of weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Overleaf

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 2 - continued	The Council needs to ensure that the Transforming SEND and Inclusion in Leicestershire (TSIL) programme is supported by robust governance arrangements that encompass both its financial challenges and those arising from service delivery, including:
	• Ensuring delivery of its planned savings.
	• Providing effective and appropriate challenge to ensure progress continues to be made in addressing the outstanding weaknesses from Ofsted and the Care Quality Commission inspections. This should include:
	  • ensuring oversight and monitoring of the Accelerated Progress Plan (APP),
	  • refreshing the SEND and Inclusion Strategy 2023-26 and
	  • ensuring progress continues to be made in respect of reducing the timescales of completing health and care plans (EHCP)

Management comments	TSIL Programme Governance is in place. Benefits monitoring is within the process where KPI's are established and monitored for all workstreams and consider both contract compliance and MTFS. This gives visibility and challenge to all financial metrics which are being built into services improvement cycles and also departmental and corporate financial monitoring. Oversight and monitoring of the APP takes place through a joint meeting with Health Colleagues, the DfE and the Local Authority. Regular performance updates are submitted to the DfE to monitor progress against the indicators in the APP. Scrutiny of work taking place to update the actions happens at the regular monitoring boards to agree actions and monitor progress. A key component of the APP is improving the timeliness of EHCP completion. This work is monitored through the APP monitoring Boards as well as through the TSIL governance. Through robust data management and analysis, issues leading to lack of timeliness are now clear and actions to mitigate these challenges have been developed (particularly around educational Psychology availability). Improvements in timeliness are starting to show as a result of actions being taken to mitigate the issues identified. The SEND and Inclusion Strategy is currently being reviewed and refreshed via the SEND and Inclusion Board. Timeframe for completion will be March 2024. The Strategy is being refreshed using data gathered through the TSIL programme including pupil forecasting which links sufficiency planning and financial planning and the use of capital and links to capacity data from specialist provision.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 3	The Council needs to ensure that forecasting assumptions over income; in particular capital receipts from sales of assets should be realistic and deliverable to ensure financial sustainability is not impacted further.
Improvement opportunity identified	To ensure that risks to Financial Sustainability are appropriately managed.
Summary findings	In the 2022/23 to 2025/26 MTFS, there was an assumption of funding of £8.7 million from capital receipts from sales. This was revised to £2.5 million in the September 2022 refresh. The 2022/23 draft accounts show the actual received was £1.1 million; a shortfall of £1.4 million. The 2023/24 to 2026/27 MTFS shows assumptions of capital receipts from sales amounting to £20.3 million over the four year period, with £13.4 million expected to be received in 2024/25.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Capital receipts by their nature are uncertain in both timing and amount. Estimates are reviewed during the year and updated as part of the refresh of the MTFS and mid-year capital programme review. The budget amounts are based upon the sale of identified assets weighted for the risk of realisation.

© 2023 Grant Thornton UK LLP.

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and member behaviour (such as gifts and hospitality or declaration of interests) and where it procures and commissions services.

Risk management and internal control

High level responsibilities for managing risk are documented within the Authority's Constitution, which delegates responsibility to the Corporate Governance Committee (CGC); stating that the Committee shall have responsibility for the promotion and maintenance of the Council's Code of Corporate Governance with an emphasis on ensuring that an adequate risk management framework and associated control environment is in place.

In line with good practice, "Audit Committees" should assess their effectiveness annually. This is often completed via anonymous self-assessment questionnaires to assess the arrangements in place and the understanding of all individuals in their role as part of the Committee. From our review of CGC papers, we did not evidence that this has been undertaken; although we do acknowledge that the requirement to do so is not specified within its TOR.

To provide assurance that the CGC is well functioning in discharging its duties, we have recommended that a review of effectiveness is undertaken on an annual basis, and any areas identified for improvement or learning are appropriately actioned.

Improvement recommendation 4.

Risk Management

The Council has a risk management framework in place that is adequately documented and supported by oversight from the Corporate Governance Committee.

Day to day operational management of risk is the responsibility of each department. Risk Champions have been nominated within each Department and are responsible for maintaining Departmental Risk Registers. The co-ordination of risk management activity is carried out by a Senior Auditor which provides support in the co-ordination of registers. Pre-Covid, Risk Champions met as part of a wider Risk Management Group which includes the Head of Internal Audit and a representative form Insurance. This group has now been re-instated; its first meeting took place in February 2023 and anything significant arising from the group is reported upwards firstly to CMT and where necessary CGC.

Ensuring there are appropriate arrangements in place is a key part of compliance with the Pubic Sector Internal Audit Standards (PSIAS). We note that narrative within the Annual Governance Statement (AGS) documents that "during 2022/23 the Committee (CGC) has provided assurance that an adequate risk management framework is in place". However, from discussion with key officers we noted that there had not been a review of the arrangements in place within the last five years however acknowledge there is a planned independent external assessment to be completed in 2023.

The operational arrangements for managing risks are underpinned by a Risk Management Policy Statement and Strategy which clearly documents roles and responsibilities for managing risk across the Council. The Strategy is reviewed on an annual basis and approved by CGC. This is also provided as an appendix to support the MTFS.

Our review of the Strategy did not identify any gaps in arrangements; we found that it includes the key elements for a robust approach to managing risk at all levels across the Authority.

© 2023 Grant Thornton UK LLP.

Governance (continued)

Risk Management – continued

The Risk Management Strategy is supported by standard scoring methodology, with visual flowcharts and appendices to provide further procedural guidance.

Risk impact criteria is also clearly documented and includes domains such as reputation, people, operations and finance etc. In our 2021/22 Annual Review we reported that environmental impact was not included as an impact measurement criteria. Following discussion with key officers it was agreed that this would be included. However, we acknowledge that this was concluded after the 2023/24 Risk Management Strategy was approved; therefore we are recommending that this be included as an impact domain within the 2024/25 refresh of the Strategy but taken into consideration when scoring risks in the meantime.

Improvement Recommendation 5.

The Council maintains Departmental Risk Registers and a Corporate Risk Register (CRR). These registers contain the most significant risks which the Council is managing, and which are 'owned' by Directors and Assistant Directors.

From review of the CRR we confirmed that it included those key risks we would expect to see identified within a County Council, for example MTFS demand and cost pressures, Children's Social Care and SEND. We noted clear referencing of both the Department/Function and a CRR reference number. We consider that the Council's arrangements can be further enhanced by aligning its corporate risks to the strategic plan outcomes; to identify those risks which may prevent the Council from achieving its long-term vision and priorities and to provide assurance in respect of the actions being taken to mitigate the risk. The Council's vision is based on five strategic outcomes which are shown in the diagram opposite.

Improvement Recommendation 5.

The Council has arrangements in place to report risks to the CGC; providing assurance that risks are being identified and appropriately managed.

CGC receives risk management updates accompanied by the CRR at each of its meetings. The Corporate Management Team (CMT) also has oversight of corporate risk. CMT is the Council's officer group, made up of the Chief Executive, Monitoring Officer, Director of Corporate Resources and all Directors. The CRR is presented quarterly prior to reporting through CGC.

The CRR is designed to capture those high/red strategic risks that apply either corporately or to specific departments. Our sample review of committee papers confirmed that the Risk Management Update Reports provide a good level of detail with an overview of changes, deletions and emerging risks.

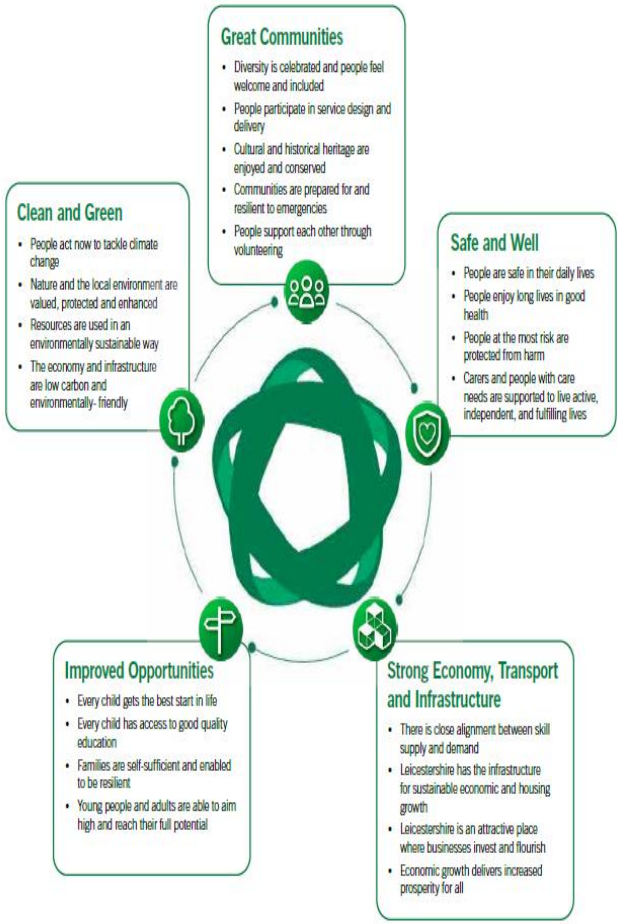
Following our review in 2021/22 we recommended that target scores be included within the CRR to enable the reader to gain assurance that the actions being taken to mitigate risks are appropriate and proportionate. We noted that target scores are now included within the CRR in addition to recording those embedded controls in place and any gaps or the requirement for further controls which have been identified.

There is a detailed update of the current position recorded against each risk, but it is not always clear what specific action is being taken, the responsible action owner or the date in which completion is expected. However, Departmental Risk registers hold more information on the mitigations, controls, action owners and timescales.

We noted that the requirement for actions to address any gaps should be clearly aligned and reference SMART principles is detailed in the Strategy.

Improvement Recommendation 5.

Leicestershire County Council **Strategic Plan 2022-26 Outcomes:**



© 2023 Grant Thornton UK LLP.

Governance (continued)

The Council have adequate arrangements in place to provide Internal Audit and Counter Fraud Services. Regular reporting is provided to the CGC with evidence of appropriate oversight and challenge. However we have identified a weakness in planning arrangements and have raised an improvement recommendation to address this.

Internal Audit

The Council's Internal Audit and Counter Fraud Service are provided by Leicestershire County Council's in house Internal Audit Service. In June 2021, a report was presented to CGC outlining the methodology for developing the Internal Audit Plan for 2021/22; this documented a process to draw up a list of reviews to be completed in two six monthly periods ie April to September and October to March. This process was also followed in 2022/23. Following our 2021/22 review, we recommended that a full Annual Internal Audit Plan and Three Year Strategy, supported by an Internal Audit Charter should be provided for approval by the CGC on an annual basis. From review of CGC papers presented in May 2023 we noted that this has not been completed and a list of planned work covering the period April 2023 to September 2023 has been provided.

These arrangements are not compliant with the requirements of the PSIAS.

Improvement recommendation 6.

Progress against the plan is reported to each meeting of the CGC. Progress reports also provide information in respect of the implementation of high importance recommendations. Our review confirmed that the Council are generally robust in implementing actions and where needed, ensuring there are revised due dates in place.

The Council's financial systems are provided by the East Midlands Shared Service (EMSS). Internal audit activity for EMSS is the responsibility of the Head of Internal Audit at Nottingham City Council (NCCIA). During 2022/23 NCCIA was scheduled to conduct audits of payroll, accounts receivable, accounts payable, and IT – System Admin and access controls. However, from our review of CGC papers, we did not see evidence of assurance reporting against those reviews.

We also noted that the Council's draft AGS and Head of Internal Audit Opinion noted that the EMSS Head of Internal Audit Opinion was not complete. There is a risk that the Council's key governance reports are not representative of the full control environment as assurance in respect of its key financial systems was not included at the time or reporting.

Improvement recommendation 6.

To be compliant with PSIAS, all Public Sector Internal Audit Providers must be independently , externally assessed. The Internal Audit Service last had an external review in 2018. A report to CGC in January 2023 outlined the approach for completing the review with proposed reporting to CGC is May 2023. However at the time of our review we did not see evidence that an external assessment had been completed and reported to CGC.

Improvement recommendation 6.

Counter Fraud

Counter Fraud is also provided as part of the Internal Audit Provision. The team includes an auditor who leads on fraud.

Progress reports of Fraud Activity are provided to the CGC as part of the Internal Audit Progress reports.

The team undertakes a biennial Fraud Risk Assessment which contains a two-year counter fraud action plan and directs the work of the team.

Improvement recommendation 6.

The Council also take part in the National Fraud Initiative on an annual basis; with the outcome being reported to CGC.

There are a suite of policies in place to manage and mitigate the risk of fraud, these are reviewed and updated on a biennial basis, including, but not limited to:

- Anti Fraud & Corruption Strategy
- Anti Money Laundering Policy
- Whistleblowing Policy
- Anti-Bribery Policy Statement and Procedures
- Declaration of Interests & Gifts and Hospitality
- Code of Conducts for Staff and Members

The Council has reported as part of its AGS that "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".

© 2023 Grant Thornton UK LLP.

Governance (continued)

Informed Decision Making

Arrangements are in place to ensure that all relevant information is provided to decision makers before major decisions are made and for the challenge of key strategic decisions before they are taken.

The Council has in place a Leader /Cabinet model of Governance. The Constitution includes the principles of decision making and the rules, codes and protocols that govern how the Council operates. The Constitution also sets out the functions of the statutory posts of Head of Paid Service, Monitoring Officer, Chief Finance Officer and designated Scrutiny Officer.

All Committee /Cabinet meetings are scheduled well in advance and have in place forward plans to ensure all items of business are included at the right time for meeting any statutory deadlines. Draft papers are received in advance to enable these to be checked by both the Legal and Democratic Teams and by the Monitoring Officer. A record of key decisions is maintained online.

Standards and Behaviour

The Council has arrangements in place to monitor standards, such as meeting legislative /regulatory requirements and standards in terms of officer or member behaviour.

From discussion with key officers, we confirmed that processes are in place to ensure Cabinet and Executive decisions are appropriate and comply with relevant legal, statutory, regulatory and budgetary requirements. The Council has in place Legal, Democratic Services and Finance teams which are key "advisors" to ensure decisions taken are lawful and comply with necessary requirements. Standard Committee Report Templates are in place to support the process and all officers responsible for producing reports undertake appropriate training.

There is evidence of an appropriate "tone from the top" being set in respect of decision making and ethical behaviour from Senior Officers and Members. We were informed that the Council encourages a culture of openness and is confident that staff are aware of the processes in place to discuss and raise any concerns should they arise.

Codes of conduct are in place for Members and Officers which are contained within the Constitution. An updated Members' Code of Conduct was adopted by the Council following the introduction of a model Code developed by the Local Government Association and subsequent training has been provided for members.

Members are required to declare all interests which are published publicly and the opportunity to declare interests in respect of specific agenda business is provided at the start of each meeting. Receipts of gifts and hospitality are also recorded. There are processes in place to investigate any potential breaches and the Council has in place a Member Conduct Panel which is responsible for considering complaints which have been referred by the Monitoring Officer. An annual report on the operation of the Members' Code of Conduct is provided for oversight by the CGC.

The Council has in place a number of policies and procedures which govern the way in which employees must behave and conduct their roles; these also include the requirements to declare any interests and receipts of gifts and hospitality etc. Declarations are currently made using manual forms and individual registers are maintained by departments. From discussion with key officers we were informed that this is currently being reviewed with a view to moving to an electronic solution linked to individual employee records.



Whistleblowing

With whistleblowing regulation on the rise, it is more important than ever that, not only does an organisation have a Whistleblowing Policy in place, but also understands how the effectiveness of the policy is being assured and how the Council are sighted on issues raised. Those charged with governance should ensure that:

- Whistleblowing arrangements are effective, accessible and inclusive to all staff groups.
- Staff know how to raise concerns and do not experience detriment as a result.
- There are arrangements in place to allow triangulation of whistleblowing concerns with wider performance and delivery of a service.
- The Council are sufficiently sighted on all whistleblowing concerns and the actions taken to investigate and respond.

As the National Audit Office has reported, concerns raised by staff can be an important source of information on which to base improvements. However, to raise concerns or 'blow the whistle' can make people vulnerable. Alongside clear, comprehensive and accessible policies to support and reassure staff at what is likely to be a stressful time, these policies must be backed up by a culture of transparency and openness, so that employees feel enabled to raise concerns.

© 2023 Grant Thornton UK LLP.

Governance (continued)



Carbon reduction

The UK government has a target of 100% reduction in 1990 greenhouse gas emissions by 2050. Many of the carbon budgets set by the government are relevant to Local Authorities. By June 2022, more than 250 English Local Authorities in England had declared Climate Change Emergencies and set carbon reduction targets of their own.

To deliver value for money whilst also implementing carbon reduction, Local Authorities need strong processes. Carbon reduction costs need to be reflected within medium-term financial plans; funding needs to be consistent with other strategic priorities; costs need to be accurately recorded and monitored; and the relative costs of acting versus not acting need to be evaluated on an ongoing basis.

Climate change is often already reflected on Local Authority risk registers and where Local Authorities set themselves strategic goals around carbon reduction, effective processes for monitoring progress against those goals is needed. Training should be kept up to date both for executives and for members overseeing climate change and carbon reduction risk and performance. As legal requirements are evolving and new sources of funding and grants continue to come forward, horizon scanning for new duties and opportunities will also need to be vigilant.

Net Zero

Net Zero refers to the point at which carbon emissions being emitted into the atmosphere are balanced with their removal, meaning there is no overall addition to atmospheric levels.

The Council declared a climate emergency and has developed its plans to achieve Net Zero in both its own operations and across Leicestershire. The Leicestershire County Council Strategic Plan 2022–26 has also been updated; it is based on five strategic outcomes that outline the Council's vision for Leicestershire. Amongst the five outcomes, is the Clean and Green outcome, to protect and enhance the environment and tackle climate change.

Leicestershire County Council declared a climate emergency in 2019, and from this two key ambitions were agreed:

1. To achieve net zero carbon for its own operations by 2030.
2. To work with others to achieve net zero carbon in Leicestershire by 2045 (in line with UK 100's campaign for Local Authorities to target net zero 5 years ahead of national policy).

A Carbon Reduction Roadmap for the Council to achieve net zero emissions for its own operations by 2030 was initially approved by full Council in July 2020 and is being delivered through a programme of Council projects. In its report to Cabinet in April 2022, the Council reported that it had delivered a 74% reduction in its emissions by the end of 2020/21 and is on track to deliver by 2030.

The Council updated its Environment Strategy 2018-30 to reflect the targets in the climate emergency and included an action to develop a Net Zero Roadmap for Leicestershire to illustrate the pathways to net zero for the County. The Net Zero Leicestershire 2045 Roadmap along with a supporting Strategy and Action Plan was approved by Cabinet in April 2022.

To obtain feedback on the Strategy, the Council developed a Net Zero 'Have Your Say' consultation program and undertook stakeholder mapping to ensure that the consultation had a wide reach and engaged relevant stakeholders. The consultation was undertaken over a 12 week period between May and July 2022, the outcome of which has helped inform the updated Net Zero Leicestershire Action Plan 2023-2027.

The action plan sets out how the Council will work in partnership with residents, businesses, public sector, voluntary and community organisations and other stakeholders to deliver a Net Zero Leicestershire and is split across six key areas. It outlines its short-term delivery plans (5 years) which will be reviewed annually with an end-of year progress report against the Plan being provided to the Forum, the Council's Corporate Management Team, Cabinet Member for the environment and the green agenda, and the Environment and Climate Change Overview and Scrutiny Committee.

From review of the Plan, we note that the aim and objectives of each key theme are clearly set out. However; the supporting actions do not follow SMART methodology therefore it is not clear how success measures will be considered and assessed. We note that actions have been assessed in terms of their anticipated deliverability however, the Plan currently includes 163 actions, some with a very low deliverability score. There is a risk the Plan may lose focus or become too large to manage and report upon. There will need to be a robust Governance Framework in place supported by appropriate assurance and monitoring processes to ensure success. We note that the Plan includes a number of next steps and we have recommended some suggested actions to be taken in addition to these.

Improvement recommendation 7.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 4	To further enhance its Governance arrangements in place, the Council should consider completing a CGC review of effectiveness with any areas identified for improvement or learning to be appropriately actioned.
Improvement opportunity identified	To further enhance and strengthen Governance arrangements in place.
Summary findings	The Council has established good governance arrangements. Our findings and recommendation have been made to further enhance and strengthen these processes.
Criteria impacted by the finding	 Financial Sustainability  **Governance**  Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	The work for this is already underway in conjunction with the Democratic Services team. Information will be discussed with members immediately following the January 2024 committee. The outcomes of the review of effectiveness are scheduled to be included within the Annual Report of the Committee to full Council in May 2024 and will be considered for the draft AGS improvement plan (scheduled for May 2024). Reference to an annual review will be considered for the CGC ToR.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 5	To further enhance and strengthen the risk management arrangements in place, the Council should ensure that: • When risks are scored, there is a consideration of whether there may be an environmental impact should the risk materialise. Environmental impact should therefore be included as a domain within the scoring methodology. • Corporate risks are aligned to the Strategic Plan outcomes to identify those risks which may prevent the Council from achieving its long-term vision and priorities and to provide assurance in respect of the actions being taken to mitigate the risk. • Actions identified are supported by SMART methodology to provide assurance to the Board that gaps in control or assurance are being appropriately addressed and to ensure actions being taken are adequate and proportionate to the risk and target score. • The external independent review is completed as planned to provide assurance there are robust arrangements in place for managing risk.
Improvement opportunity identified	To provide robust and timely assurance and to be fully sighted throughout the year on the strategic risks facing the Council and the actions being taken to manage these.
Summary findings	The Council has established good arrangements in place for managing risk. Our findings and recommendation have been made to further enhance and strengthen the processes.
Criteria impacted by the finding	Financial Sustainability; **Governance**; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant but have raised a recommendation to support management in making appropriate improvements.
Management comments	Environmental Impact now included within the Risk Scoring Criteria (as discussed with Environment team earlier in year) and will be published as part of the 2024 Strategy. The Council's Strategic Plan is referenced in the Strategy. The benefits of mapping it over into the CRR to show the outcome themes will be discussed as part of the Strategy review at CMT on 18th January 2024. The requirements for SMART actions are already detailed in the Strategy. Departmental risk champions will be reminded at the next CRMG meeting and compliance will be monitored thereafter. Specific actions are defined in the annual (May) report to the CGC. External Independent review – to be conducted at an appropriate time taking into consideration: • A key priority is to conclude an external quality assessment of the Internal Audit Service. • The Council's insurances are due for re-tender and so any conflicts of interest of the reviewer need to be considered. • The Senior Auditor who leads on the co-ordination of risk management activity is scheduled to leave at the end of February 2024 and so replacement arrangements will need to be considered.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 6	To further enhance and strengthen the arrangements in place for providing Internal Audit and Local Counter Fraud Service, the Council should ensure: • The Chief Internal Auditor provides for CGC approval, a Three Year Internal Audit Strategy and Annual Internal Audit Plan documenting its Internal Audit Charter, which outlines the purpose, authority and responsibility of the internal audit activity. • There is liaison and agreement in place to ensure NCIA provides appropriate and timely reporting to provide third party assurance in respect of those key controls being operated on behalf of the Council and to enable the Council to provide accurate and timely governance reporting in respect of its control environment. • The independent external assessment of the Internal Audit Service is commissioned and completed as soon as possible to meet compliance requirements of the Pubic Sector Internal Audit Standards (PSIAS). • Follow up of Internal Audit recommendations, including reporting to Corporate Governance Committee, should also include low and medium priority recommendations to provide assurance of implementation.
Improvement opportunity identified	To be fully compliant with the PSIAS.
Summary findings	The Council has arrangements in place for providing Internal Audit and Local Counter Fraud Service. Our findings and recommendation have been made to further enhance and strengthen the processes.
Criteria impacted by the finding	Financial Sustainability; **Governance**; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Overleaf

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 6 - continued	To further enhance and strengthen the arrangements in place for providing Internal Audit and Local Counter Fraud Service, the Council should ensure: • The Chief Internal Auditor provides for CGC approval, a Three Year Internal Audit Strategy and Annual Internal Audit Plan documenting its Internal Audit Charter, which outlines the purpose, authority and responsibility of the internal audit activity. • There is liaison and agreement in place to ensure **NCIA provides appropriate and timely reporting** to provide third party assurance in respect of those key controls being operated on behalf of the Council and to enable the Council to provide accurate and timely governance reporting in respect of its control environment. • The independent external assessment (EQA) of the Internal Audit Service is commissioned and completed as soon as possible to meet compliance requirements of the Pubic Sector Internal Audit Standards (PSIAS). • Follow up of Internal Audit recommendations, including reporting to Corporate Governance Committee, should also include low and medium priority recommendations to provide assurance of implementation.
Management comments	Strategy, plan and Charter – the PSIAS state that, 'the risk-based plan must take into account the requirement to produce an annual internal audit opinion and the assurance framework. It must incorporate or be linked to a strategic or high-level statement of how the internal audit service will be delivered and developed in accordance with the internal audit charter and how it links to the organisational objectives and priorities'. Whilst i accept the requirement for a strategy, comparisons with peers reveal they are for one-year only. • A strategy will be developed along with a refreshed Charter will be reported to CGC. The individual NCIA audit reports had been received by LCC but hadn't been reflected in CGC reports due to awaiting the overall opinion (delayed by the absence of the NCIA HoIA) This can be rectified for future. • Discussions are underway to ascertain if NCIA will be able to provide an overall opinion to CGC in January 2024. The EQA has been commissioned and outcomes are scheduled for March/April 2024 which should enable reporting to CGC in May 2024. Internal Audit has developed a model containing all recommendations but further consideration is required by the Director of Corporate Resources and CGC because of the impact on resources and the level of risk associated.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 7	The Council needs to ensure there is a robust Governance Framework in place to support delivery of its Net Zero Action Plan. The Council should ensure the number of actions is appropriate, deliverable and focussed. Actions should follow SMART methodology to ensure that outcomes can be appropriately monitored, measured and reported. • Specific, • Measurable, • Achievable, • Realistic, and • Timely.
Improvement opportunity identified	To support the delivery of the Net Zero Action Plan.
Summary findings	The Net Zero Plan actions do not follow SMART methodology therefore it is not clear how success measures will be considered and assessed. The Plan currently includes 163 actions, some with a very low deliverability score. There is a risk the Plan may lose focus or become too large to manage and report upon. There will need to be a robust Governance Framework in place supported by appropriate assurance and monitoring processes to ensure success. We note that the Plan includes a number of next steps and we have recommended some suggested actions to be taken in addition to these.
Criteria impacted by the finding	Financial Sustainability; **Governance**; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Having completed the first year of action under the NZ strategy and Action Plan, and in light of the Council's wider financial position, any future review of the commitments in the NZ action plan will take account of the auditors recommendation. The E&T department will facilitate consideration of recommendations as part of future NZAP review.

© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness

We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

Use of financial and performance information

The Council has embedded processes in place to monitor and report upon its Strategic and Departmental performance. We have made an improvement recommendations to further enhance and strengthen these processes.

In May 2022 the Council agreed a four-year Strategic Plan based on five key priorities. On an annual basis, the Council reports its progress against delivery of the priorities. The information outlined in the report provides performance data which is designed to help the Council and its partners to ensure services continue to meet standards, provide value for money, and that outcomes are being achieved for local people.

The Annual Delivery report sets out the projects and activities that have been undertaken against each of the priorities in the strategy and is supported by the Performance Compendium.

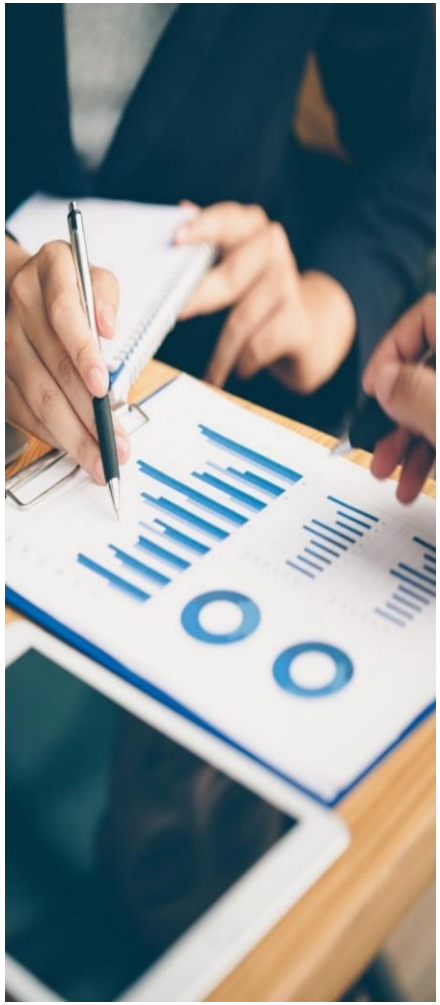
The annual report compendium uses performance indicators to compare the performance of the Council over time against targets and with other Local Authorities. This comparison is used to place Leicestershire County Council's performance in context and to prompt further investigation for example into why other Council's may be performing differently or why other Councils are providing cheaper or more expensive services. The analysis draws on over 200 performance indicators across the Council's priorities and areas of service delivery.

The reports are provided for Cabinet oversight in November each year. From review of reporting in November 2023, the summary report records that initial analysis of 2022/23 data shows that out of 191 metrics, 80 improved, 37 showed no real change and 74 worsened. Due to the absence of previous data or changes to indicators, data was not presented in respect of 24 indicators. The report includes a narrative summary for each group of indicators providing an overview of the number that have increased and deteriorated etc. However, from our review of data we noted a number of differences when compared to the summary as stated above. We do not consider that this undermines the data available but have raised a recommendation on this matter.

Improvement recommendation 8

The report documents that for 2021/22, Leicestershire County Council ranked 5th in performance terms compared to other counties and has the lowest core spending power per head. Based on initial comparative analysis for 2022/23, out of 141 indicators - 45 are top quartile, 45 second quartile, 29 third quartile and 22 bottom quartile which is a similar position to that reported in 2021/22.

We have reviewed and compared the data for 2021/22 and 2022/23 which is set out in the table on the following page. Based on the figures provided in the narrative report, the data shows a slight decline overall in the numbers of indicators that have improved and those which have deteriorated.



© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

Figures taken from the narrative summary of the Performance Compendium reports for 2021/22 and 2022/23:

Priority	Service Area	Improved		Status	Declined		Status	No Change		Cannot be determined	
		2021/22	2022/23		2021/22	2022/23		2021/22	2022/23	2021/22	2022/23
Strong Economy, Transport & Infrastructure	Growth & Investment	6	6		5	4		1	4	2	-
	Employment and Skills	5	4		3	3		2	1	-	3
	Transport	7	3		9	10		1	5		
	Housing	3	4		2	1		1	2	1	
Improved Opportunities	Best Start in Life	5	7		5	4		1	1	2	1
	School & Academy Performance	3	3		1	7		1	2	5	2
Safe & Well	Health and Care	3	2		7	2		-	3		1
		4	2		5	5		6	6		4
	Public Health	12	5		6	8		3	2	4	5
	Mental Health	4	3		2	4		1	-		
	Safeguarding Children & Families	5	7		8	7		5	3	2	
	Safer Communities and Vulnerable Adults	5	3		6	3		1	2	1	4
	Police and Crime	-	2		5	6		5	2		
Clean and Green	Environment & Waste	14	12		3	7		3		3	5
Great Communities		10	9		2	5		4	2	2	
Enabling Services		2	4		7	7		6	5	1	
Total		88	76	↓	76	83	↓	41	40	23	25

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement - continued

The Council reports that the impact of the pandemic and cost of living crisis, as well as service and funding pressures has continued to be felt, affecting the outcomes in a number of areas. The Performance Compendium report provides a summary of progress on all of the indicators supported by data and dashboards. We noted some key areas as follows:

Housing

This dashboard covers the supply of new housing and affordable housing. 4 out of 7 indicators show an improvement which cover completion of new homes, housing affordability and energy efficiency ratings for existing homes. The indicator with lower performance relates to homelessness. Indicators and with little change are residents' perceptions that local housing meets local needs and energy efficiency ratings for new homes.

Transport

The 10 indicators displaying lower performance include satisfaction with local bus services, cycle routes and facilities, rights of way, pavements & footpaths, traffic levels & congestion, and road safety. Also, casualties involving road users walking, cycling and motorcycling, numbers killed or seriously injured on the roads, and carbon emissions from transport. Measures covering road condition, overall satisfaction with highway condition and average vehicle speeds showed similar results.

Public Health

There are 8 declining indicators which cover life expectancy, healthy life expectancy (males), drug treatment, NHS health-checks and air quality.

Mental Health

3 indicators showed improvement including life satisfaction, happiness and excess mortality in adults with serious mental illness. The 4 declining indicators cover anxiety, suicide and timeliness of treatment for young people.

Health and Care: adult social care services including support for carers.

The 5 declining indicators cover requests for support which result in a service, users receiving self-directed support and direct payments, overall satisfaction with social care support and home care providers rated good or outstanding.

School and Academy Performance

Seven indicators are displaying lower performance; these cover secondary admissions, secondary schools assessed as good or outstanding, secondary persistent absence, attainment 8 score for pupils with free school meals, attainment 8 score for pupils with SEN statements/EHCPs, progress 8 (between ages 11 and 16) and % of Education, Health & Care Plans issued within 20 weeks. Key stage 2 attainment and the % of special schools rated as good or outstanding remained similar to the previous year.

Safeguarding Children & Families

The 7 declining indicators cover re-referrals to children's social care, timeliness of children's social care assessments, review of child protection cases, stability of looked after children's placements, looked after children's health checks, emotional health of looked after children and time to place with prospective adopters.

Continued overleaf ….



© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement - continued

Clean and Green – Environment & Waste

The 7 indicators displaying lower performance cover household waste recycled, internal waste produced from Council sites, residents' perceptions that protecting the environment is important, renewable energy generated by the Council, carbon emissions per capita in county, Council greenhouse gas emissions and staff business mileage claimed.

Great Communities.

The 5 indicators showing lower performance cover community cohesion, willingness of residents to work together to improve their neighbourhood, volunteering by residents, satisfaction with local area as a place to live and perception of residents' ability to influence council decisions.

Enabling Services

There are 7 indicators showing lower performance which cover residents' perceptions of the Council doing a good job, trust in the Council, call answering by the Customer Service Centre, complaints and compliments received, health and safety incidents, and apprentices employed. The indicators showing similar results cover media ratings, staff satisfaction, staff turnover and gender pay gap.

It is evidence from the Cabinet paper; which includes views from the Scrutiny Commission, that the Council is reporting on its current and future position which identifies that a larger proportion of indicators had deteriorated in 2022/23 and due to the low-funded position, this is affecting the levels of service it could provide and outcomes were likely to deteriorate further.

However, we have included an improvement recommendation to further enhance reporting by annotating within the report where further action or investigation is being carried out to improve outcomes; particularly those which are currently presenting in the lowest quartile when compares to other Counties.

Improvement recommendation 8.

Departmental key performance measures are reported to Overview and Scrutiny Committee on a quarterly basis. The metrics of the report are aligned to the Council's Strategic Plan and include any mandatory reporting items. Performance is RAG rated and, where available, compared with national benchmarking data to show which quartile Leicestershire's performance falls into. The Council's quartile position provides insight into how it compares to other County Councils in England.

We reviewed a sample of performance reporting data for Adults and Communities, Children and Family Services and Highways and Transport. We confirm that these provide a comprehensive overview of services supported by detailed key performance indicator data. The overview reports provide a good level of detail to describe the drivers of the data and summary of position etc.

From our sample review it was evident that reporting styles within each department are different suggesting there is not currently a standard system in place for recording and reporting performance data. We also noted that the overview reports do not currently provide a summary of further action that may have been identified to be taken, particularly where targets are not currently in line with expectations. However it is acknowledged that there are several indicators where the Council does not have direct or little control over delivery.

Improvement recommendation 8.

Quarter 4 reporting for Childrens and Family Services records that of the 10 indicators with a national benchmark; three are in the top quartile, two are in the second quartile, four are in the third quartile, and one is in the fourth quartile. This relates to the percentage of re-referrals to Children's Social Care within 12 months. This was 23.5% at the end of quarter 4 compared to 22.8% at the end of the previous quarter, with 347 children 're-referred' within quarter 4. This is against a target of 22%. However the report does note that more recent analysis shows a decrease in the rate of re-referrals to 21.9% which exceeds the target.

Indicators presenting in the top quartile when compared to other Counties are as follows:

- Child Protection plans lasting two years or more.
- The percentage of Care Leavers in Suitable Accommodation.
- The percentage of Care Leavers in Education.



© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement

SEND

In February 2020, Ofsted and the Care Quality Commission (CQC), conducted a joint inspection of the local area of Leicestershire to judge the effectiveness in implementing the disability and special educational needs reforms as set out in the Children and Families Act 2014. The inspection concluded two significant areas of weakness and reported that a Written Statement of Action (WSOA) was required. The Council's subsequent WSOA outlined a framework for addressing the key issues and areas for development.

The Leicestershire local area was subject to a SEND re-inspection in November 2022. The purpose of the visit was to consider the progress made on the two areas included within the WSOA. The report concluded that there has been sufficient progress in addressing one of the significant weaknesses (Lack of a joint commissioning strategy) but has not made sufficient progress in respect of weakness regarding the quality of the Health and Care Plans (EHCP).

The report highlights the progress that has been made but comments that whilst the education, EHCP are better and include the views of parents and carers, significant improvements still need to be made including the implementation and quality assurance of EHCPs.

To address the issues, an Accelerated Progress Plan (APP) has been developed by the local area and has been signed off by the Department for Education. The plan reflects the high-level actions that will be taken across the Leicestershire local area. It will be the responsibility of operational managers to deliver and report upon specific actions through a more detailed workplan. Oversight of progress will be provided through the Leicestershire SEND and Inclusion Board. The board is Co-Chaired between the Assistant Director for Education, SEND and Commissioning (LCC) and Assistant Director for Nursing and Personalisation (LLR ICB). The Board brings together all Local Area partners, including the Leicestershire SEND Hub. The Board meets on a six weekly basis and oversees the development and implementation of the wider SEND and Inclusion Strategy (2020-23). The current Strategy has five priority areas that incorporate all activities included within the Written Statement of Action.

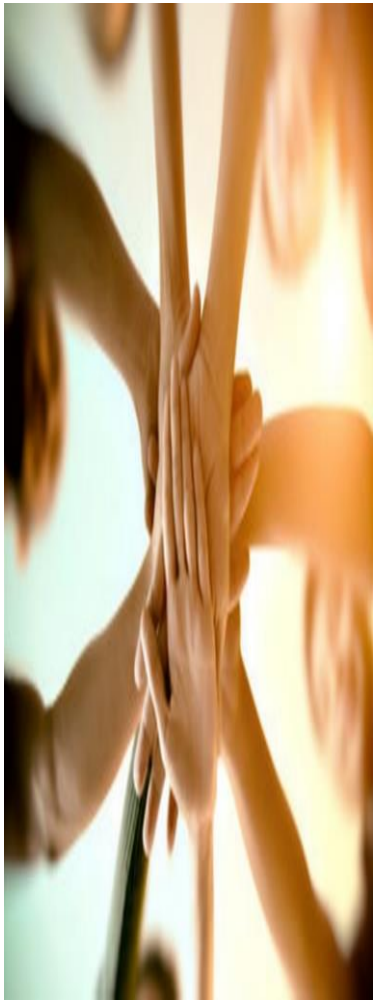
In parallel to the Local Area SEND and Inclusion Strategy, in early 2022, the Local Authority embarked upon a major transformation programme - Transforming SEND and Inclusion in Leicestershire (TSIL). Working closely with external change specialists, Newton Europe, TSIL is a programme of whole-system diagnostic review and development. The programme is being delivered in close partnership with the SEND Hub on behalf of parent/carers, health, education providers and other partners.

The Accelerated Progress Plan and on-going TSIL activity will be incorporated into a refreshed SEND and Inclusion Strategy 2023-26 which is planned to be published in October 2023.

From review of Council reporting, we noted that the current average timescale from start to completing an EHCP is 41 weeks – with all plans overdue; this is against a statutory timeframe of 20 weeks. The average duration peaked at 43 weeks in January 2023, and focussed effort since then has started to reverse the growing trend, as a result of investment in new resource and priority for bringing back within statutory timeframes.

While we note that improvements are still required to fully address the weakness raised; we acknowledge the work being undertaken at a partnership level to address the issues as part of the wider transformation programme. However, the arrangements and APP are still in their infancy and will take time to embed. The Council will need to ensure that the governance framework in place is robust and provides effective and appropriate challenge to ensure progress continues to be made in addressing the weaknesses outstanding.

Improvement recommendation 2.



© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Assessing performance and identifying improvement - continued

The Council's comments and complaints process allows for any learning to be developed and embedded into operational processes. The Council's website is clear in providing guidance of how this can be completed.

A Corporate Complaints & Compliments Report is produced on an annual basis. The report demonstrates how some of the learning from complaints and compliments has been used to shape future service delivery and improve the overall customer experience. Complaints are managed by three separate systems – those which are a statutory process ie Adult Social Care and Children's Social Care and Corporate Complaints relating to all other services provided by the Council. The team also, in liaison with the Director of Law and Governance, manage all complaints that are referred to the Local Government and Social Care Ombudsman (LGSCO).

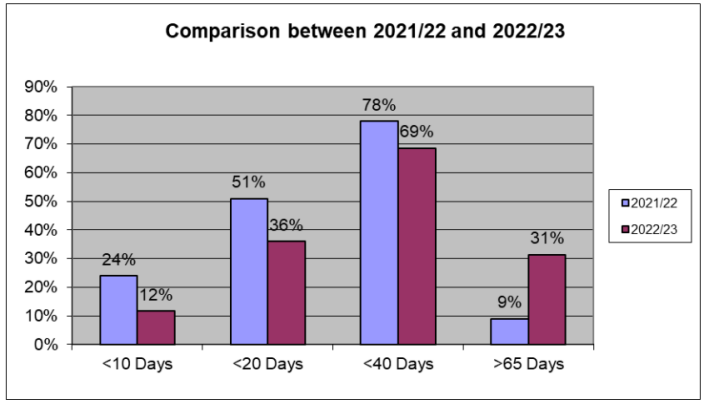
From review of the annual report we can see that the number of contacts has increased in total by 25% however, the number of complaints has also increased:

Contact Type	2021/22	2022/23	% Change
Enquiries, Comments, and Informal resolution	1531	2037	+33%
Corporate Complaints	610	781	+28%
Adult Social Care Statutory Complaints	210	204	-3%
Childrens Social Care Statutory Complaints	65	86	+32%
Ombudsman Investigations	50	80	+%
Compliments	226	211	-7%
	2692	**3399**	**+25%**

The Council has in place an embedded processes for receiving, investigating and responding to complaints. However, within our 2021/22 review we made commentary in respect of the timeliness of investigating complaints and recommended that the Council should ensure that its performance monitoring processes identify instances which may breach the statutory target of responding to complaints, with a view to increasing compliance.

From our review of the annual reports, it is clear that this has remained a challenge during the year particularly within Childrens Social Care which is representative of the increase in number of complaints received overall.

Statutory regulations allow up to 65 working days for complaints to be resolved. From our review of complaints investigated within Childrens Social Care, the time taken showed a worsening position overall in each category when compared to the previous year. Most notably there has been a 22% increase in the number of complaints responded to in excess of 65 working days. The Council has reported that Completion of Stage 2 investigations within the statutory guidelines has continued to be a challenge during the year with none of the 10 completed investigations achieving this.



The report does document that The Ombudsman has indicated that providing the Local Authority is managing the expectations of a complainant and not unduly delaying resolution, there is unlikely to be criticism of not meeting this timescale. The Complaints Manager is satisfied that in all cases expectations were well managed by Independent Investigators.

However we have concluded that the Council needs to take action to fully understand the reasons for the worsening position and ensure appropriate action is being taken to mitigate any risk to the Council and improve its outcome in this area.

Improvement recommendation 9.

© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Partnership working

The Council has a number of commercial and collaborate partnership working arrangements in place which are clearly documented in the Annual Governance Statement.

The Council's key arrangements include, but are not limited to:

- Integrated Care System (ICS) & Integrated Care Partnership (ICP) covering Leicester, Leicestershire and Rutland.
- East Midlands Shared Services (EMSS)
- Leicestershire Health and Wellbeing Board East Midlands Shared Service (EMSS)
- Local Pension Fund
- Local Government Pension Scheme (LGPS) - Central Pool.
- Active Together
- Leicester and Leicestershire Enterprise Partnership (LLEP)
- Enhanced Bus Partnership
- Eastern Shires Purchasing Organisation (ESPO)
- ESPO Trading Ltd
- Eduzone
- The Investing in Leicestershire Programme
- East Midlands Freeport
- East Midlands Development Company (DevCo)
- Environmental & Waste Collaborations

From our discussions with key officers and sample review of Committee papers we can evidence that the Council has procedures in place for monitoring its commercial and partnership arrangements in place and challenging financial and non-financial performance:

East Midlands Shared Services (EMSS)

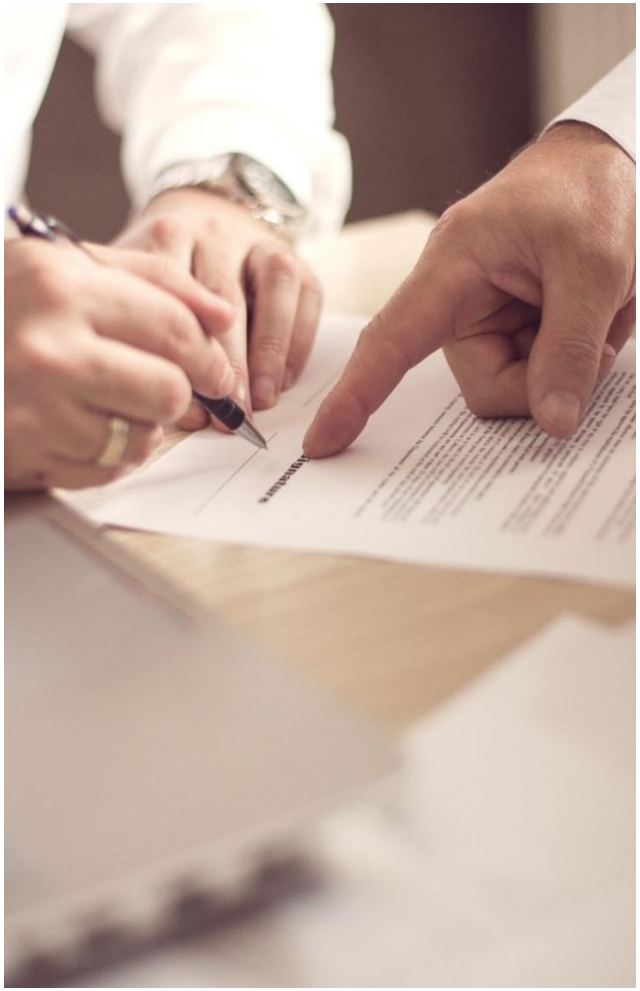
The Authority runs a joint operation with Nottingham City Council (NCC) to provide shared transactional finance, human resources and payroll services to both authorities which operates under a Joint Committee. Oversight which includes an annual report of performance is provided to the EMSS Joint Committee.

Review of the 2022/23 annual report demonstrates that the Council measures and uses its financial and non-financial performance information in making future service delivery decisions:

Historically, the Employee Service Centre (ESC) has provided HR administration and payroll services to approximately 200 schools and academies. Following a detailed analysis of the service, involving EMSS, HR, Procurement, Finance and Legal colleagues, the Joint Committee determined in January 2023 that it was no longer viable and in the interests of the partner Councils to continue to provide the service.

The Joint Committee therefore requested that EMSS withdraw from the education sector market, allowing the ESC to concentrate on the service delivered to the partners. Notice was served to education customers in February 2023 and schools and academies will have all transitioned to alternative providers by September 2023.

The EMSS MTFP confirmed that it would carry out 'Best Value' reviews on its services in 2023-24 to determine whether the shared service still offered value for money to the partner Councils, or whether alternative delivery models should be considered, e.g., outsourcing. Work has commenced on the review of the Finance Service Centre, with the fundings due to be reported to the EMSS Joint Committee in March 2024.'



© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Partnership working - continued

East Midlands Freeport

Freeports are a Government programme planned to bring jobs, investment, and prosperity to some of the most deprived communities, with targeted and effective support. The East Midlands Freeport (EMF) is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties.

Work to develop a Business Case began in 2021 and tax site designation was awarded by HM Treasury in March 2022. The Full Business Case was submitted to Government in mid-April 2022 and full designation has been approved. The Cabinet approved the County Council becoming a member of the newly incorporated Freeport company, with the Cabinet Lead Member for Resources, as a nominated member to serve on the Board, and to continue the role of lead authority and accountable body for the Freeport.

In June 2022, a permanent non-executive Chair of Board was appointed. A Chief Executive started in post in March 2023 and has put together a small team to implement delivery of the Business Plan objectives of the EMF.

As part of our initial audit planning and risk assessment, we identified a potential risk of significant weakness regarding governance arrangements. From the work we have carried out we note that the arrangements are still being finalised. At its meeting of the Board in May 2023 it was documented that "In terms of wider governance issues, Board members were reminded of the need to sign a number of documents, including the Members' Agreement, the Retained Business Rate agreement, the appointment of directors and members and giving delegated authority to approve other governance documents. The aim was for these to be completed by 20 July 2023 to be presented to EMF Board in September 2023 following approval through their own governance structures.

There has been a delay in the completion of the governance documents from the date originally envisaged as result of complexity relating to the application of the subsidy control rules which has involved developing a bespoke process by which a potential occupier is assessed to be eligible for business rates relief. This has been reliant upon a policy position from DLUHC which has only recently been provided.

We acknowledge that whilst the governance documents have not been formally executed, they have been approved by the Board and the Board has formally resolved in March 2023 to operate in accordance with the core governance documents

We have not reported a significant weaknesses in this area due to minimal activity taking place however, we have recommended that, as the Accountable Body, the Council takes a lead in ensuring that governance arrangements are approved and embedded within the EMF. In the meantime, any decisions should be fully documented and supported by appropriate approval

Improvement recommendation 10.

East Midlands Development Company (DevCo)

The Council is a Board member of the DevCo, a company limited by guarantee from April 2021. Its ambition is to be a locally led urban development corporation, or a mayoral development corporation, for which there is provision in the Levelling Up and Regeneration Act. Nottinghamshire County Council is the Host Authority to DevCo but regard that ultimate responsibility for legal and financial activities etc lies with the DevCo as a company.

During 2022 the Council reported to Cabinet in light of concerns about the Company's management and government. Cabinet approved further actions and enquiries to be made to address the issues raised. In the meantime the Council paused its membership of the Board and did not approve the second of a planned three years funding contribution arrangements

Concerns have been formally raised with the Board and partner organisations and with DHLUC, since it is considered by the Council that some risk still remains. A further report was made to Cabinet in June 2023. The Cabinet agreed to reinstate membership on the DevCo Board, but not to provide third year funding. Reinstatement was subject to satisfactory answers from the DevCo regarding its management and governance which have not been forthcoming. The DevCo Board at its meeting in November 2023 considered options as to its future, including whether to disband or hibernate pending the combined authority election in May 2024.

This demonstrates risk to the Council is being considered as part of its wider partnering, commercial and collaboration arrangements.

However given the complexity and unusual nature of these arrangements we have included a recommendation to ensure the Council maintains oversight and provides assurance in respect of any emerging risks to the Council.

Improvement recommendation 11.



© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

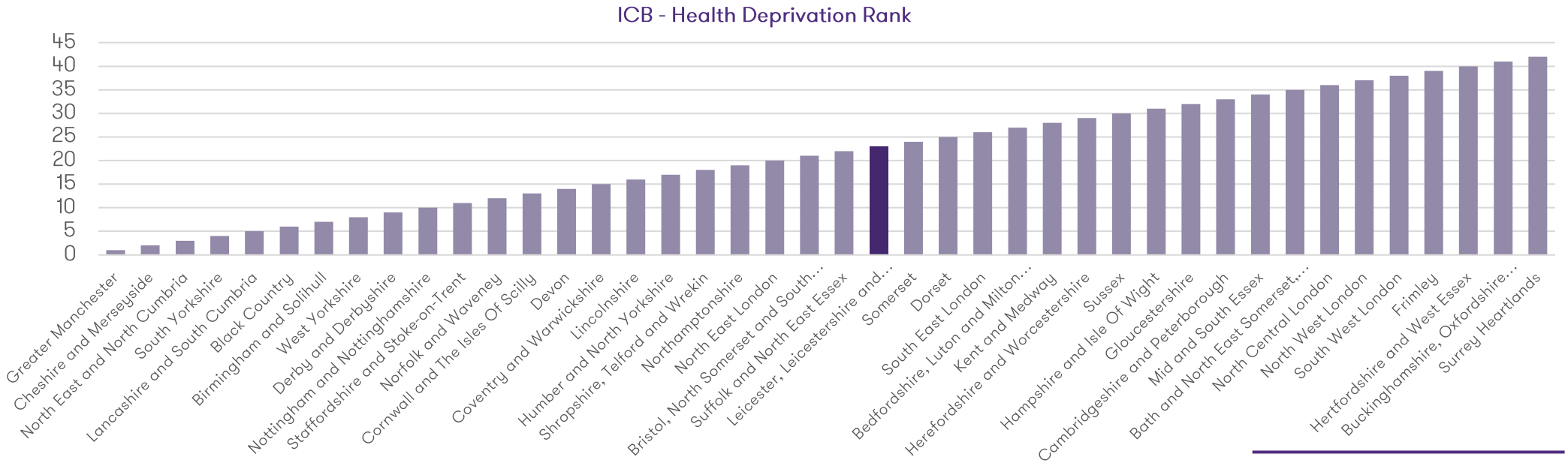
Partnership working - continued

Integrated Care Partnership (ICP)

Leicester, Leicestershire, and Rutland (LLR) Integrated Care System (ISC) brings together NHS organisations and upper tier local authorities across the NHS footprint of the LLR area. The Integrated Care Partnership ICP is a statutory Committee jointly formed between the Integrated Care Board (ICB) and all upper-tier local authorities that fall within the ICS area. The ICB is a statutory body and is a successor to the 3 Clinical Commissioning Groups (CCGs). Leicestershire County Council membership includes the Lead member for Health and Wellbeing, the Director of Public Health, the Director of Adult Social Services and the Director of Children and Family Services.

The ICP is responsible for producing an integrated care strategy on how to meet the health and wellbeing needs of the population in the ICS area.

From our benchmarking of ICB data, we note that LLR ranks approximately midway out of 42 ICB's in terms of its health deprivation rank. This highlights the importance of partnership working in the wider health economy to tackle health in-equality. Working in partnership, the Council contributes to the wider health and wellbeing for the Leicester, Leicestershire and Rutland population. The ICB's strategic priorities and priorities across the ICS are consistent with those of the Joint Health and Wellbeing Strategies across Leicester, Leicestershire and Rutland. The focus of these strategies is on the specific challenges in each of the respective 'places' as identified through the respective Joint Strategic Needs Assessments (JSNA) and Joint Health and Wellbeing strategies.



© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)



Procurement

Local authorities in England spend around £82.4 billion a year on goods and services. More than a third of all UK government spending on goods and services is spent in the local government sector.

Allowing for capital spending as well, the UK public sector procures around £300 billion a year overall from commercial partners.

Within this, local authorities run local services and deliver high value capital projects every year, balancing the complicated requirements of the Procurement Act and the Social Value Act together, often under close review from electors and other stakeholders. Whole of Government Accounts show that local government spending on goods and services outweighs spending by any one other individual UK government sector.

Given the current focus on net zero, local growth, and efficiency, the opportunity for local authority procurement to make a difference to the wider government agenda has perhaps never been higher. The importance of maintaining good practice has also perhaps never been higher. Local authority members and officers, for the most part, already work well with the commercial partners they appoint. However, with so much public money at stake, there is always scope for continuous improvement and for learning from examples of procurements that did not work entirely as intended.

Commissioning and procurement

The Council's Strategic Plan 2022-2026 sets out the Council's long-term vision for Leicestershire and its priorities over a four-year period. The Council are currently developing a procurement policy and social value protocol which will align to the outcomes in the Plan; however this has been paused pending the requirements of the new national UK procurement rules which will also be incorporated.

The Council's Rules for procuring goods and services are set out in the Leicestershire County Council Constitution. ***Part 4G - Contract Procedure Rules (CPR)* clearly documents the rules governing the process including financial thresholds, delegated authority's and subject to meeting appropriate criteria, where exceptions to the rules may be applicable.**

Procurement and subsequent contract monitoring and management is carried out at Departmental level. The Council do not have a centralised procurement function, however there is a Commissioning Support Unit (CSU) to provide support, advice and guidance when required.

Our previous year's review noted that the CSU had carried out a number of tasks to ensure that CPR's were being consistently complied with across the Council, this included:

- Running reports of supplier invoices from the payments system (Oracle Fusion) with a cumulative value of above £25,000, which is the Council's threshold for requiring quotation / tenders and matching these against the contracts register (Pro-Contract) to ensure that the processes had been followed and where appropriate contracts were in place.
- Implementing controls within Oracle Fusion to "flag" payments in excess of £25,000 for checking and occasions where contracts are not on the system, and ensuring these are investigated further.
- Configuring the system to block any Purchase Orders being finalised prior to these checks being completed in advance of any payments made.

The reconciliation task and implementation of additional controls for blocking expenditure where a contract was not in place adversely affected the number of contract exceptions made. This is demonstrated in the tables on the following page which shows a dramatic increase in both the number and value of exceptions raised between 01 July 2021 and 30 June 2022. This suggests that a number were raised in retrospect as the expenditure had already been committed.

At the conclusion of our 2021/22 review the CSU were working with Departments and providing training to ensure processes became embedded. A process to provide reports of all contracts expiring within the next 12 months was also implemented to ensure timely tendering exercises are undertaken.

Despite the additional controls in place; from our review of data relating to contract exceptions during 01 July 2022 to 30 June 2023 shows little improvement. While it is expected that there will be a number of cases where procurement rules can be waived in exceptional circumstances; improved controls to mitigate those which do not fit the criteria or where it will provide efficiency or economic reasons to ensure a procurement exercise is undertaken should provide an overall decrease in the number and value of exceptions.

© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement - continued

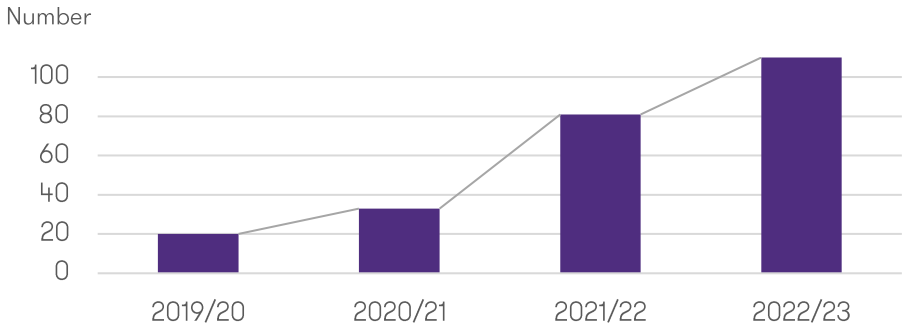
Contract exceptions:

The following tables demonstrate the increase in the number and value of contract exceptions that have been raised year on year. While the total value of exceptions has decreased in 2022/23 when compared to the previous year, overall the value has increased dramatically since 2019/20:

Contract Exceptions by number raised and total value:

Period	Number of Exceptions	Total Value of Exceptions
1 July 2022 to 30 June 2023	110	£18.9 million
1 July 2021 to 30 June 2022	81	£21.6 million
1 July 2020 to 30 June 2021	33	£11.4 million
1 July 2019 to 30 June 2020	20	£1.9 million

Contract Exceptions by number raised:



The Council maintains a register of all contract exceptions and there are appropriate arrangements in place for ensuring all exceptions are authorised in line with the Constitution. **From our discussion with key officers, it was confirmed that the approval of contract exceptions in 2022/23 has been subject to appropriate review and approval in all cases and therefore none are considered to have breached CPRs.**

However, we did note through discussion that where expenditure is already committed, these waivers are approved. **This suggests retrospective approval is being awarded; which bypasses appropriate procurement rules.**

From further examination of the exceptions register, we noted that the majority of exceptions in 2022/23 (92 in total) have been approved under CPR rule 6(b)(i) which states "Other exceptions to these Rules may only be made within the relevant law and with the authority:- (i) of the appropriate Chief Officer in consultation with the relevant Commercial Specialist where the Estimated Value of the proposed contract is under £177,897. The appropriate Chief Officer shall maintain a record specifying the reason for all such departures".

We noted that the rule for exception is recorded within the register however the actual reason and Supplier details are not included as part of the reporting documentation.

We have concluded that the rule is quite generic and vague in its design posing a risk that it may be used in some cases in preference to carrying out a procurement activity for expenditure estimated to be in the region of between £25,000 and £177,897. This presents a risk whereby works could be procured which have not demonstrated value for money and increases the risk of creating an environment where fraud could be committed and concealed.

© 2023 Grant Thornton UK LLP.

Improving economy, efficiency and effectiveness (continued)

Commissioning and procurement - continued

Contract extensions:

In addition to reviewing contract exceptions we also reviewed the number of contract extensions that were undertaken during 2022/23. Further details can be found on the following page of this report.

Contract extensions, are those contracts that did not have an initial proposed contract extension period written into the original agreement but have been subsequently extended beyond their planned end date. While the number of extensions remains similar to the previous year; the value has increased dramatically:

Period	Number of Contract Extensions	Value of Contract Extensions
1 July 2022 to 30 June 2023	16	£81 million
1 July 2021 to 30 June 2022	13	£26 million

We concluded that while there are processes in place for granting and approving contract exceptions and extensions; there is a risk that weaknesses in their design may lead to it being a substitute for inefficient or ineffective procurement and contract management processes.

The Council should ensure there is a robust governance framework in place supported by appropriate accountability processes.

We have recommended that the Council reviews both its criteria for approving contract exceptions and extensions and also the financial thresholds for procurement activity to ensure these are proportionate and reflective of the current financial environment in which it is operating.

The Council should also consider carrying out cost benefit analysis of transformational change such as a central procurement unit or shared provision with neighbouring authorities.

Improvement recommendation 12.

Contract Management

In 2021, Local Government spent in excess of £71 billion on purchasing goods and services for England in one year - nearly one third of all English public sector revenue purchasing. Most Local Authorities have well established central functions supporting their initial procurements, but contracts can span decades and it can be after the procurement is complete that best value is sometimes delivered.

Ongoing contract management is often devolved to service lines. This works well with the right support, but risks increase if roles and responsibilities of service line contract managers are not clear; technical knowledge is not kept up to date for the whole life of a contract; and performance indicators within the contract are either unclear or not rigorously monitored.

Sometimes it can be very simple steps that help protect value. Most Local Authorities set up contract registers, but vigilance is needed in keeping these up to date. Planning future procurements effectively relies on knowing current contracts well. This means having the resources in place to register, monitor and record current progress over the whole life of contracts, not just at the beginning.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 8	To further enhance and improve the arrangements for reporting on performance, the Council should: • Strengthen its processes for ensuring the quality and accuracy of data in its reporting & consider implementing Kite Marking processes to provide assurance. • Consider adopting a consistent approach to performance recording and reporting at a departmental level. • Record where further actions have been identified to be taken, particularly in respect of those targets that are not meeting expectations.
Improvement opportunity identified	To improve performance reporting.
Summary findings	Performance reporting styles within each department are different suggesting there is not currently a standard system in place for recording and reporting performance data. Overview reports do not currently provide a summary of further action that may have been identified to be taken, particularly where targets are not currently in line with expectations.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify an area for improvement in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Overleaf

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 8 - continued	To further enhance and improve the arrangements for reporting on performance, the Council should: • Strengthen its processes for ensuring the quality and accuracy of data in its reporting & consider implementing Kite Marking processes to provide assurance. • Consider adopting a consistent approach to performance recording and reporting at a departmental level. • Record where further actions have been identified to be taken, particularly in respect of those targets that are not meeting expectations.
Management comments	The Council is working with Gartner Consulting to develop a data strategy for the organisation. It is anticipated that this will cover leadership and data culture, organisational structures, data architecture, data lifecycle, systems and tools, skills, governance and compliance. • As part of the data strategy work the Council will review the data quality processes for performance reporting. The Council will also look at developing a quality standard for the content of performance reports. The Council's current performance reports cover the key elements of a good performance report. However, the look and feel of these have in some cases been adapted in response to comments from DMTs and elected members to better meet their needs. • The Council's Business Intelligence Service is currently undergoing training on better data visualisation from a recognised expert in the field. Following this training, a corporate review will be undertaken of the approach to performance reporting at departmental/scrutiny level, in order to adopt a more consistent reporting style and approach. The current performance reports are designed to prompt discussion at DMTs/CMT and at scrutiny committees around issues that require further attention and action. The discussions and proposed actions are then typically recorded in the minutes of those meetings. Current actions underway are sometimes included in reports, where known. The Council's Strategic Plan, including supporting outcomes/measures, is due to be reviewed shortly. This will allow for a sharper focus on deliverability, in the light of the current budget pressures, and further tighten target setting and performance reporting. • As part of the review of performance reporting at departmental level, the Council will consider further actions that might be taken including adding actions discussed at DMT to reports to scrutiny committees.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 9	The Council needs to take action to fully understand the reasons for the worsening position in the time being taken to investigate and resolve complaints within Childrens Social Care, and ensure appropriate action is being taken to mitigate any risk to the Council and improve its outcome in this area.
Improvement opportunity identified	To improve performance.
Summary findings	Most notably there has been a 22% increase in the number of complaints responded to in excess of 65 working days. The Council has reported that Completion of Stage 2 investigations within the statutory guidelines has continued to be a challenge during the year with none of the 10 completed investigations achieving this.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	During 2022/23 the Council encountered significant challenges with respect to commissioning of Independent Stage 2 investigations. This followed an unexpected change to the provider following an IR35 assessment. The Council has now recruited an in-house investigator and this will see improvements to the timescales for completion of investigations during 2023-24 reporting year.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 10	The Council should maintain oversight of the operating activity's and governance arrangements in place within the East Midlands Development Company and provide assurance in respect of any emerging risks to the Council.
Improvement opportunity identified	To mitigate the risk of inappropriate decisions being made.
Summary findings	During 2022 the Council reported to Cabinet to challenge the governance arrangements in place regarding the Council's membership of the East Midlands Development Company in light of concerns about the company's management and governance.
Criteria impacted by the finding	Financial Sustainability; Governance; Improving economy, efficiency and effectiveness
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	The Council has appointed the Assistant Chief Executive to the Board of the East Midlands Development Company (DevCo) and the governance arrangements are kept under continuous review by the Chief Executive and Director of Law and Governance demonstrating senior corporate oversight of the council's engagement with DevCo. A report on any significant issues in the operation of external bodies including the DevCo is presented annually to the Corporate Governance Committee. Reports are produced regularly to Cabinet on the operation of the Devco and it is intended that this will continue to be the case. The Council's approach to the funding demonstrates the rigorous approach to the principles of economy, efficiency and effectiveness.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 11	As the Accountable Body, the Council needs to take a lead in ensuring that governance arrangements are approved and embedded within the East Midlands Freeport. In the meantime, any decisions should be fully documented and supported by appropriate approval.
Improvement opportunity identified	To mitigate the risk of inappropriate decisions being made and potential financial loss to the organisation.
Summary findings	The East Midlands Freeport is now fully operational; however the governance arrangements have yet to be finalised and approved.
Criteria impacted by the finding	Financial Sustainability; **Governance**; **Improving economy, efficiency and effectiveness**
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	There has been a delay in the completion of the governance documents as a result of complexity relating to the application of the subsidy control rules which has involved developing a bespoke process by which a potential occupier is assessed to be eligible for business rates relief. This has been reliant upon advice from the DLUHC which has only recently been provided. Whilst the delay is regrettable, it is purposeful and necessary. The Council is leading on ensuring that the governance arrangements are approved and embedded. It is important to note that the Freeport Board has since March 2023 resolved to operate in accordance with the approved Members' Agreement and Articles of Association which address all of the important governance arrangements for the Freeport and its Board as well as the role of the Council as Accountable body.

© 2023 Grant Thornton UK LLP.

Improvement recommendations

Recommendation 12	The Council should ensure there is a robust governance framework in place. This should include, but not limited to: • Contract exceptions should not be approved retrospectively. • Where contract exceptions or extensions do not meet with appropriate approval processes these must be recorded and reported as a breach of procurement rules for example retrospective exceptions. • Internal reporting processes should provide the full reason for an exception or extension along with the suppliers / contractors details to ensure full transparency and openness. • The Council should review both its criteria for approving contract exceptions and extensions to ensure that these cannot be used in preference to carrying out an appropriate procurement activity or used in place of poor contract management processes. • The Council should review its financial thresholds for procurement activity to ensure these are proportionate and reflective of the current financial environment in which it is operating. • The Council should ensure that any cultural or historical practise which does not promote or provide for robust, economical or effective processes is identified and rectified. The Council should also consider carrying out cost benefit analysis of transformational change such as a central procurement unit or shared provision with neighbouring authorities
Improvement opportunity identified	To ensure there are efficient and economic procurement and contract management arrangements and mitigates the risk of creating an environment where fraud and / or collusion could be committed and concealed
Summary findings	The number of contract exceptions and extensions has significantly increased year on year. While we acknowledge the documented approval processes in place, we concluded that the rule for approving exceptions for expenditure between £25,000 and £177,897 is quite generic and vague in its design posing a risk that it may be used in some cases in preference to carrying out a procurement activity.
Criteria impacted by the finding	Financial Sustainability; **Governance**; **Improving economy, efficiency and effectiveness**
Auditor judgement	Our work has enabled us to identify a weakness in arrangements which we do not consider to be significant, but have raised a recommendation to support management in making appropriate improvements.
Management comments	Agreed, actions already in progress. CMT and subsequent DMTs have been attended regarding improvements around exceptions and governance. Contract Procedure Rules are being re written around exceptions, extensions and modifications with additional controls added in at £100k. Target Operating Model for Procurement and Contract Management is being reviewed.

© 2023 Grant Thornton UK LLP.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
1	Follow up all Internal Audit recommendations, including lower priority recommendations, through the use of the recommendation tracker.	Improvement	June 2021	September 2022: Use of the case management system tracker is not yet fully developed but in order to meet the recommendation a workaround system has been devised and is due for roll out. September 2023: From review of reports to Corporate Governance Committee, it is evident that reporting focusses on high importance recommendations.	No	Yes Improvement recommendation 6.
2	Embed a corporate approach to procurement and contract management within each department structure.	Improvement	June 2021	September 2022: Further work is being completed to refresh guidance and updated documentation in the form of a Procurement Strategy and Toolkit. This is being progressed through the CSU Target Operating Model work. September 2023: It is evident that the CSU continue to implement controls to ensure a consistent and effective approach. However our fieldwork has indicated further improvement is required.	Not fully	Yes Improvement recommendation 12.
3	Provide annual refresher training for all staff charged with management of contracts.	Improvement	June 2021	September 2022: Refresher training is planned for all Contract Managers, with the added element of a checklist for compliance. This is being progressed through the CSU Target Operating Model work. September 2023: See above.	Not fully	Yes Improvement recommendation 12.

© 2023 Grant Thornton UK LLP.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
4	Update the list of business critical suppliers on a regular basis.	Improvement	June 2021	September 2022: Business Continuity, Contract Managers and Commissioning Support Unit are working together to develop and keep updated the list of business critical suppliers. This is being progressed through the CSU Target Operating Model work. September 2023: See above	Not fully	Yes Improvement recommendation 12.
5	The Council should develop and implement: • Mitigating actions to address the budget funding gaps identified in years 2024/25 to 2026/27. • Robust savings plans which meet the future funding challenges.	Improvement	September 2022	The budget for 2023/24 is balanced. The budget for later years is being updated post the Local Government settlement December 2022. This shows a slightly improved position, and will be reported to the Cabinet in February 2023. The new MTFS includes actions to address the remaining budget shortfalls. September 2023: This is an ongoing risk.	Yes for 2023/24	Yes Improvement recommendation 1.
6	The Council should take appropriate actions to reduce its cumulative SEND deficit and ensure that the initiatives being undertaken are sufficient to address the scale of the issue and ensure that any proposed changes are implemented successfully.	Improvement	September 2022	Leicestershire engaged Newton Europe to undertake a Diagnostic view of the High Needs position in January 2022. Following this and a competitive tender process they have been engaged as a Strategic partner to deliver an ambitious programme of SEND reform through the Transforming Special Needs and Inclusion in Leicestershire (TSIL) Programme. September 2023: This is an ongoing risk.	Yes for 2023/24	Yes Improvement recommendation 2.

© 2023 Grant Thornton UK LLP.

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
7	To be fully compliant with the Pubic Sector Internal Audit Standards (PSIAS), the Council should provide assurance on an annual basis that there are robust arrangements in place for managing risk. The Council must ensure there is an independent and objective review carried out by somebody not involved with the day to day process.	Improvement	September 2022	An independent risk management maturity health check was undertaken during 2018 by the Council's Insurance Brokers and is planned to be completed again in 2023.	No	Yes The Council to ensure the external independent review is completed as planned to provide assurance there are robust arrangements in place for managing risk. Improvement Recommendation 5.
8	To further improve and enhance the risk management framework in place, we recommend the Council: 1. Includes Environmental Impact within the risk impact measurement criteria as part of the risk scoring methodology for all risks. 2. Re-commence the Risk Management Group meetings as soon as possible. 3. Includes target risk scores on the Corporate Risk Register. 4. Documents the controls in place to mitigate risks, the assurances received or required and any gaps that need addressing. Actions to address any gaps should be clearly aligned and reference SMART principles. 5. Considers the roll out of the use of the Pentana system across all Departments	Improvement	September 2022	1. Agreed. 2. Agreed and actioned. 3. Agreed and actioned. 4. Agreed: a. Arrange a combined register for the late spring committee. b. Ensure the agreement to 'once a year' combined register with full information is written into the revised strategy. 5. Partly agreed: will consider looking at a corporate wide solution based on a valid business case.	Not fully	Yes Actions identified should be supported by SMART methodology. Improvement Recommendation 5.

© 2023 Grant Thornton UK LLP

Follow-up of previous recommendations

	Recommendation	Type of recommendation	Date raised	Progress to date	Addressed?	Further action?
9	The chief internal auditor should provide for approval, a Three Year Internal Audit Strategy and Annual Internal Audit Plan documenting its Internal Audit Charter, which outlines the purpose, authority and responsibility of the internal audit activity. This should be provided in a timely basis.	Improvement	September 2022	Agreed: A Strategy will be devised and Charter will be reviewed and revised where appropriate.	No	Yes. Improvement Recommendation 6.
10	The Council should ensure that the Children's' Social Care Annual Compliments and Complaints Report is presented to Children and Families Overview and Scrutiny Committee information and oversight.	Improvement	September 2022	Agreed: A separate report will be presented to the Children's & Family overview and scrutiny committee from September 2023. An overarching report which summarises all complaints is taken to the Scrutiny Commission each year, but noted these should also go to the individual C&FS scrutiny committee.	Yes	No
11	The Council should ensure that its performance monitoring processes identify instances which may breach the statutory target of responding to complaints, with a view to increasing compliance.	Improvement	September 2022	From our review of the annual reports, it is clear that this has remained a challenge during the year particularly within Childrens Social Care which is representative of the increase in number of complaints received overall.	Partly	Yes, The Council needs to take action to fully understand the reasons for the worsening position and ensure appropriate action is being taken to mitigate any risk to the Council and improve its outcome in this area. Improvement Recommendation 9.

© 2023 Grant Thornton UK LLP.

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2023 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the Council's financial statements

Our work on the financial statements is ongoing. We have experienced delays in receiving the necessary evidence to support the Council's land and buildings valuations. Our progress to date will be presented in an Interim Audit Findings Report, which is due to be submitted to the Corporate Governance Committee in January 2024. Once we receive the remaining evidence, we will complete our audit procedures and provide updated reporting to those charged with governance.

Audit opinion on the Pension Fund's financial statements

Our work on the financial statements is ongoing. We plan to complete our work in January 2024 and will report to the Corporate Governance Committee following this.



© 2023 Grant Thornton UK LLP.

Appendices

Appendix A:
Responsibilities of the Council

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

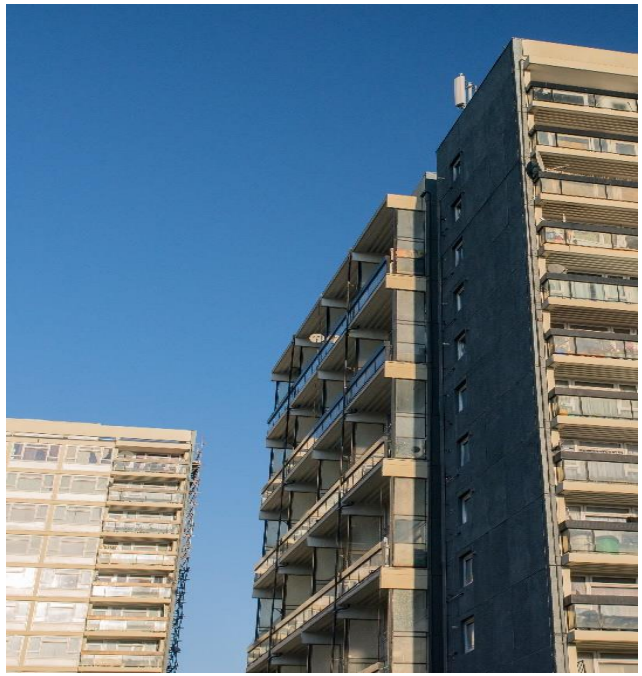
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) is required to prepare 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. In preparing the financial statements, the Chief Financial Officer (or equivalent) is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



© 2023 Grant Thornton UK LLP.

Appendix B:
An explanatory note on recommendations

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

Type of recommendation	Background	Raised within this report	Page reference(s)
Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.	No	N/A
Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of the Council's arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
Improvement	These recommendations, if implemented, should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Financial Sustainability: Pages 21 – 24 Governance: Pages 30 – 34 3E's: Pages 47 - 52

© 2023 Grant Thornton UK LLP.



© 2023 Grant Thornton UK LLP.

'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

This page is intentionally left blank