

# Leicestershire County Council, Statement of Accounts, Annual Governance Statement and Pension Fund Accounts 2019/20

	<b>Page</b>
Narrative Statement	3
Movement in Reserves Statement (MIRS)	10
Comprehensive Income and Expenditure Statement (CIES)	11
Balance Sheet	12
Cash Flow Statement	13
Notes to the Primary Statements	14-84
Statement of Responsibilities for the Statement of Accounts	85
Leicestershire County Council Pension Fund Accounts	86
Fund Account	89
Net Assets Statements	89
Notes to the Pension Fund Accounts	90
Pension Fund Actuarial Statement 2019/20	113
Pension Fund Accounts Reporting Requirement	115
Statement of Responsibilities for Leicestershire County Council Pension Fund	117
Audit Opinion	118
Annual Governance Statement	121
Glossary of Terms	140

## Introduction to the Statement of Accounts

### Councillor Preface

Like many Local Authorities, Leicestershire was impacted by the COVID-19 pandemic in March 2020. As a result of this and the subsequent lockdown of the country, there are very strong indicators that there will be a significant recession which will have a devastating impact on the national and local economy.

At a time when the County Council finances were already stretched this has put further pressure on our budgets. The impact is only partially reflected in the financial statements due to the financial year ending in March.

Central Government have provided grants to mitigate the impact of COVID-19 but this is likely to only cover half of the estimated amount required. The County Council is fortunate to have balances to withstand the short-term impact, but the impact is likely to be long lasting and further efficiency measures, in addition to those that are already planned, are likely to be required. The COVID-19 pandemic will lead to additional costs, the loss of income and difficulties with implementing planned savings and the identification of new savings.

It is of paramount importance that we keep the local economy moving and we will be working with Central Government to ensure that this happens and that the County Council has the resources required to provide quality services to those who live and work in Leicestershire.



**Mr. J.B. Rhodes**

*Cabinet Lead Member for Corporate Resources*

### Foreword from the Director of Corporate Resources



The County Council had a robust financial position going into the COVID-19 crisis as a result of sound management and tough decisions taken since 2010. Notwithstanding this, the crisis will have a profound impact on the County Council's finances and the way in which services are provided. In addition, there are urgent challenges with existing pressures in areas such as social care and special educational needs and disabilities (SEND). These remain, and the pandemic will just add to the already considerable financial difficulties. When the country exits the crisis, the financial challenge faced by the County Council is likely to be bigger than at any point during the austerity years.

Looking back to 2019/20, the Council has successfully completed a number of capital projects, funded without any external borrowing, including:

- £22m investment in Children and Family Services, including an additional 1,000 school places
- £15m investment in highways maintenance
- £19m on major road improvements reducing congestion in the County
- Completed the installation of smart technology across Leicestershire Libraries

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

I would like to thank all our staff for their work to manage the Council's budget, deliver efficiency savings and provide value for money.

**Chris Tambini**

*Director of Corporate Resources*

## Narrative Statement

### 1. Organisational Overview and External Environment

The Council has consolidated its priority outcomes into its Strategic Plan for 2018-22. The Plan was refreshed and updated during 2019/20 and guides service commissioning and development in order to maximise delivery against these outcomes.

Leicestershire remains the lowest funded county council in the country with greater risks as a result. The Council's financial position continues to be extremely challenging, with £210m saved since 2010 and a further £80m to save by 2023/24. The position is serious with major implications for the provision of services to the people of Leicestershire. Reductions in government funding and rising demands have made it increasingly difficult to maintain good service delivery levels and target service improvements where required. The Covid-19 emergency and impact on the wider economy, council income and expenditure has added to the seriousness of the council's financial position and threatens the continued provision of services and delivery of outcomes.

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

Out of work benefit claimant rates are consistently below national and regional levels though have increased in recent months as the Covid-19 crisis has impacted the economy. Manufacturing is the largest industrial sector in the county, accounting for 13% of all employment, followed by Professional, Scientific and Technical (10%). 95% 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.

#### 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 6,076 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 summarises the outcome of the Council's review of the Governance Framework that has been in place during 2019/20. The statement demonstrates that the Council has in place effective arrangements, but that it recognises the need to continuously review, adapt and develop its governance arrangements to meet the changing needs of the authority. There were no significant governance issues in 2019/20.

### 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:

- **Strong Economy** - Leicestershire's economic prosperity benefits everyone and supports resilient, clean growth.
- **Wellbeing and Opportunity** - the people of Leicestershire live in a healthy environment and have the opportunities and support they need to take control of their health and wellbeing.
- **Keeping People Safe** - people in Leicestershire are safe and protected from harm.
- **Great Communities** - Leicestershire communities are thriving and integrated places where people help and support each other and take pride in their local area.
- **Affordable and Quality Homes** - Leicestershire has a choice of quality, sustainable homes that people can afford.

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

## 5. Financial Performance

### Revenue Budget

A summary of the net revenue outturn for 2019/20 is set out below:

2018/19				2019/20		
Budget	Outturn	Variance		Budget	Outturn	Variance
£m	£m	£m		£m	£m	£m
137.1	132.0	(5.1)	Adults & Communities	148.2	145.8	(2.4)
10.4	9.9	(0.5)	Chief Executive's	11.0	10.3	(0.7)
71.8	72.4	0.6	Children & Family Services	75.1	78.5	3.4
33.0	32.7	(0.3)	Corporate Resources	34.1	34.6	0.5
66.7	66.0	(0.7)	Environment & Transport	69.7	71.1	1.4
(0.6)	(0.6)	(0.0)	Public Health	0.2	0.1	(0.1)
0.0	8.9	8.9	Approved additional commitments	0.0	0.0	0.0
44.1	40.5	(3.6)	Central Items and Contingencies	39.1	41.3	2.2
<b>362.5</b>	<b>361.8</b>	<b>(0.7)</b>		<b>377.4</b>	<b>381.7</b>	<b>4.3</b>
			Funded by:			
(64.6)	(64.9)	(0.3)	Business Rates	(74.2)	(75.2)	(1.0)
(0.3)	(0.3)	0.0	Carry forwards from previous year	0.0	0.0	0.0
(289.1)	(289.1)	0.0	Council Tax	(303.2)	(303.2)	0.0
(8.5)	(8.5)	0.0	Revenue Support Grant	0.0	0.0	0.0
<b>(362.5)</b>	<b>(362.8)</b>	<b>(0.3)</b>		<b>(377.4)</b>	<b>(378.4)</b>	<b>(1.0)</b>
<b>0.0</b>	<b>(1.0)</b>	<b>(1.0)</b>	<b>NET OUTTURN</b>	<b>0.0</b>	<b>3.3</b>	<b>3.3</b>

In 2019/20, the authority overspent its revenue budget by £3.3m. This has been offset by an adjustment to the Revenue Funding of Capital budget and that change was reflected in the 2020-24 MTFS.

The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. Price and service demand pressures exceeded the inflation contingency for 2019/20 and that overspend has been reflected in the contingency made in the 2020-24 MTFS.

## Capital Budget

A summary of the capital outturn for 2019/20 is set out below:

2018/19			Capital	2019/20		
Budget	Outturn	Variance		Budget	Outturn	Variance
£m	£m	£m		£m	£m	£m
7.1	6.5	(0.6)	Adults & Communities	14.1	7.4	(6.7)
5.5	2.9	(2.6)	Chief Executive's	0.7	0.1	(0.6)
22.6	16.7	(5.9)	Children & Family Services	25.9	22.7	(3.2)
23.3	21.1	(2.2)	Corporate Programme	45.8	38.2	(7.6)
5.9	3.5	(2.4)	Corporate Resources	10.9	4.5	(6.4)
47.4	34.8	(12.6)	Environment & Transport	73.8	40.6	(33.2)
0.5	0.5	0.0	Public Health	0.0	0.0	0.0
<b>112.3</b>	<b>86.0</b>	<b>(26.3)</b>		<b>171.2</b>	<b>113.5</b>	<b>(57.7)</b>

Overall there has been a net underspend of £57.7m compared with the updated budget. The main variances relate to revised timescales for three major highways projects within the Environment and Transportation department. The net underspend will be carried forward to 2020/21 and future years to fund schemes that were not completed in 2019/20.

Further detail of the budget outturn variances for revenue and capital can be found in the Cabinet report dated 23/06/2020 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 2018/19, the Council's overall performance position was 3rd of 33 two-tier county and county unitary areas, using a basket of 263 performance indicators spanning Council and partnership activity.

In a separate exercise, iMPower Consulting analysed the productivity of English local authorities using published data for 2018/19, taking performance metrics and calculating overall outputs per pound invested. The Council was ranked top performer – reflecting the Council's good overall performance and also the fact Leicestershire is the lowest funded county and has to maintain rigorous cost and efficiency controls.

The Council's five strategic outcomes set out our aspirations for our people and places.

The following chart sets out our progress towards these outcomes. 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.

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

Outcome	Supporting Outcome	Indicator Quartiles (available for 128 indicators)	Direction of Travel (available for 150 indicators)		
			Improve	Same	Decline
All	<b>TOTAL</b>		51	81	18
Economy	Highly skilled and employable workforce		6	2	
	Right infrastructure for sustainable growth		3	2	3
	Businesses are supported to flourish		2		1
Wellbeing & Opportunity	Every child gets the best start in life / children's health		8	4	1
	Healthy population - Adults		1	17	
	Everyone able to reach potential / access to quality education		5	20	2
	People are cared for at home whenever possible		2	8	2
Keeping People Safe	People most at risk are protected and kept safe			3	2
	Children live in stable environments		4	6	2
	Families self-sufficient and able to cope		1	1	
	People are safe in their daily live		4	3	1
Great Communities	Diversity is celebrated / inclusion in our communities		1	3	
	Communities participate in plans for the future		4	2	1
	Cultural, historical and natural heritage		3	7	1
	Communities are resilient				
Affordable & Quality	Right number and type of homes in the right places		2	3	2
	Enough suitable housing for those with care needs		3		
	Development does not have a negative impact		2		

## 7. Covid-19 Pandemic / Medium Term Financial Strategy

### Covid 19 Pandemic

The Covid-19 pandemic has had a considerable impact on the County Council. Government lockdown measures were introduced in the UK from 23 March 2020. Business continuity plans were implemented across the Council, this also included the identification of the most vulnerable service users to ensure there was capacity to support them. Non-essential work was risk assessed and put on hold to free staff capacity to enable the Council to deploy rapid responses to ensure core services were delivered and that residents and businesses continued to be supported.

The Council's Crisis Management Group (CMG), chaired by the Chief Executive, meets frequently to oversee the Council's response across key issues. The Council has worked closely with partners on a range of challenges including the supply of PPE, shielding of vulnerable people, co-ordination of volunteering, testing and tracing and excess deaths planning.

It is difficult to quantify the impact of COVID-19 at this stage with any certainty, but the financial pressure on the Council is likely to be substantial – even after the Government's emergency COVID-19 funding for local authorities is taken into account. There is limited impact on the 2019/20 accounts as the pandemic only started to have a notable impact in the last two weeks of March 2020. Where the pandemic has affected items in the accounts, additional notes have been included.

Covid-19 is already having a significant adverse effect on the economy, it is also affecting the services that the Council delivers. Recognising the significant uncertainty, it is estimated that without further Government support the Council will face a significant financial gap in the current financial year. These financial implications will continue beyond the current financial year adding to the financial gap identified in the Medium-Term Financial Strategy. The impact is across the board, covering additional expenditure, increased project and capital costs, reduced income levels and required savings that are no longer achievable. The Council is taking a number of measures to ensure the impact on the financial position is minimised where possible in the immediate crisis period and medium-term recovery.

The County Council had a robust financial position going into the crisis as a result of sound management and tough decisions taken since 2010. Based on the latest estimates, the Council is planning to fund the net additional costs of Covid 19 through use of the General Fund and the reprioritisation of revenue contributions to the capital programme. The Council will reset its four-year Medium Term Financial Strategy (MTFS) later in the year for 2021-2025 in recognition of the impact of the pandemic and the Council's strategic objectives.

### Medium Term Financial Strategy (MTFS)

The County Council is operating in an extremely challenging financial environment following ten years of austerity and spending pressures, particularly from social care and special education needs and disabilities (SEND). There is also significant uncertainty around future funding levels. 2020/21 was a one-year Local Government Settlement and the position for 2021/22 onwards will be subject to a Comprehensive Spending Review in 2020.

The government have also announced that the Fair Funding Review and Business Rates Retention Review will not be implemented in April 2021 as originally planned. Council officers will continue to work with the Government on informing the approach to funding for the next financial year and beyond.

The Authority's Medium Term Financial Strategy (MTFS) agreed in February 2020 is based on a council tax increase of 3.99% for 2019/20, including a 2% increase regarding the adult social care precept, followed by annual increases of 1.99% in the following years.

Delivery of the MTFS requires savings of £63m to be made between 2020 and 2024. The MTFS sets out in detail £24m of savings and proposed reviews that will identify further savings to offset the £39m funding gap in 2023/24. A further £17m of savings will be required to ensure that High Needs funding can be contained within the Government grant. Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

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 at: [www.leicestershire.gov.uk](http://www.leicestershire.gov.uk)

## 8. Current Borrowing / Investments

The capital financing requirement (CFR) shown in note 40 to the financial statements measures the Authority's need to borrow for capital purposes. The total of non-current assets at the Balance Sheet date was £1,078m (2018/19 £1,104m). The CFR was £237m (2018/19 £247m) and actual debt was £264m (2018/19 £264m). The difference between the CFR and the actual debt is a temporary overborrowed position, pending the repayment of debt. During 2019/20 no external loans were raised (£0m 2018/19). Details of the loans held by the Authority are shown in note 45 to the financial statements. The level of capital borrowing is within the Authority's 2019/20 Prudential Indicators that inform the Authority whether its capital investment plans are affordable, prudent and sustainable.

Investments held by the Authority total £241m as at 31 March 2020 (£270m 31 March 2019). 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 2020. 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 2019/20, 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 31<sup>st</sup> March 2020 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:**

These provide more detail about individual transactions and balances. The supplementary Financial Statements are:

- The Annual Governance Statement
- 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 27 November 2020. This was the last date when events after the Balance Sheet date have been considered.

**C TAMBINI**  
**DIRECTOR OF CORPORATE RESOURCES**  
**27 NOVEMBER 2020**

## Movement In Reserves Statement

	General Fund Balance £m	Earmarked Reserves Balance £m	Total Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Note
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### Movement In Reserves During 2019/20

<b>Balance at 31 March 2019 Brought Forward</b>	<b>24.5</b>	<b>140.8</b>	<b>165.3</b>	<b>3.7</b>	<b>14.7</b>	<b>183.7</b>	<b>74.5</b>	<b>258.2</b>	
Total Comprehensive Expenditure and Income	6.8	0.0	<b>6.8</b>	0.0	0.0	<b>6.8</b>	182.6	189.4	
Adjustments between accounting basis & funding basis under regulations	(4.3)	(11.9)	<b>(16.2)</b>	(3.6)	(11.3)	<b>(31.1)</b>	31.1	<b>0.0</b>	8
<b>Increase/ (Decrease) in Year</b>	<b>2.5</b>	<b>(11.9)</b>	<b>(9.4)</b>	<b>(3.6)</b>	<b>(11.3)</b>	<b>(24.3)</b>	<b>213.7</b>	<b>189.4</b>	
<b>Balance at 31 March 2020 Carried Forward</b>	<b>27.0</b>	<b>128.9</b>	<b>155.9</b>	<b>0.1</b>	<b>3.4</b>	<b>159.4</b>	<b>288.2</b>	<b>447.6</b>	

### Movement In Reserves During 2018/19

<b>Balance at 31 March 2018 Brought Forward</b>	<b>24.0</b>	<b>125.1</b>	<b>149.1</b>	<b>1.2</b>	<b>12.4</b>	<b>162.7</b>	<b>148.9</b>	<b>311.6</b>	
Total Comprehensive Expenditure and Income	5.0	0.0	<b>5.0</b>	0.0	0.0	<b>5.0</b>	(58.4)	<b>(53.4)</b>	
Adjustments between accounting basis & funding basis under regulations	(4.5)	15.7	<b>11.2</b>	2.5	2.3	<b>16.0</b>	(16.0)	<b>0.0</b>	8
<b>Increase/ (Decrease) in Year</b>	<b>0.5</b>	<b>15.7</b>	<b>16.2</b>	<b>2.5</b>	<b>2.3</b>	<b>21.0</b>	<b>(74.4)</b>	<b>(53.4)</b>	

Balance at 31 March 2019 Carried Forward	24.5	140.8	165.3	3.7	14.7	183.7	74.5	258.2
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## Comprehensive Income and Expenditure Statement

RESTATED

Gross Expenditure £m	2018/19		Note	2019/20		Net Expenditure £m	
	Gross Income £m	Net Expenditure £m		Gross Expenditure £m	Gross Income £m		
<b>CONTINUING SERVICES</b>							
232.9	(101.0)	131.9	Adults and Communities	247.4	(103.0)	144.4	
20.6	(6.1)	14.5	Chief Executive's	16.8	(4.6)	12.3	
314.1	(210.0)	104.0	Children and Family Services	312.1	(201.2)	110.9	
85.0	(35.7)	49.3	Corporate Resources	84.7	(35.9)	48.8	
115.2	(30.5)	84.7	Environment and Transport	129.5	(32.6)	96.9	
27.4	(26.7)	0.7	Public Health	27.4	(27.2)	0.3	
4.3	(3.5)	0.7	Central Items	0.5	(3.7)	(3.2)	
<b>799.5</b>	<b>(413.5)</b>	<b>386.0</b>	<b>NET COST OF SERVICES</b>	<b>818.5</b>	<b>(408.1)</b>	<b>410.3</b>	
0.3	(0.2)	0.1	Other Operating Expenditure (Excluding transfer of Academies)	13	0.3	0.0	0.3
6.5	0.0	6.5	Other Operating Expenditure (Transfer of Academies)	6,13	2.9	0.0	2.9
30.0	(4.2)	25.8	Financing and Investment Income and Expenditure	14	32.6	(3.6)	29.0
0.0	(423.4)	(423.4)	Taxation and Non-specific Grant Income	15	(0.0)	(449.3)	(449.3)
	<b>(5.0)</b>		<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>				<b>(6.8)</b>
			<b>Items that will not be reclassified to the (surplus) or deficit on the provision of services:</b>				
	(52.3)		Surplus on Revaluation of Property, Plant and Equipment		(note 17)		(9.4)
	110.7		Remeasurement of the Net Defined Benefit Liability/(Asset)		(note 16)		(173.3)
	<b>58.5</b>		<b>Total Items that Will Not Be Reclassified to the (Surplus) or Deficit on the Provision of Services</b>				<b>(182.7)</b>
	<b>53.4</b>		<b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b>				<b>(189.4)</b>

## Primary Statements

## Balance Sheet

31 March 2019 £m		Note	31 March 2020 £m	
547.6	Land and Buildings	17	568.9	
13.2	Vehicles, Plant, Furniture & Equipment	17	10.5	
401.1	Infrastructure Assets	17	407.2	
11.3	Community Assets	17	11.3	
32.9	Assets Under Construction	17	77.8	
4.0	Surplus Assets	17	2.3	
<b>1,010.1</b>	<b>Total Property, Plant and Equipment</b>			<b>1,078.0</b>
1.4	Investment Property	19	1.4	
4.7	Heritage Assets	18	4.7	
1.6	Intangible Assets	17	2.5	
54.0	Long Term Investments	20	55.1	
32.2	Long Term Debtors	22	30.8	
<b>1,104.0</b>	<b>TOTAL NON-CURRENT ASSETS</b>			<b>1,172.5</b>
1.7	Assets Held for Sale	17	1.7	
0.2	Current Intangible Assets	17	0.0	
1.4	Inventories	21	1.7	
94.2	Short Term Debtors	23	111.7	
15.4	Cash and Cash Equivalents	24	46.7	
216.0	Short Term Investments	20	185.8	
<b>328.9</b>	<b>TOTAL CURRENT ASSETS</b>			<b>347.6</b>
(3.7)	Short Term Borrowing	20	(3.7)	
(120.0)	Short Term Creditors	26	(132.8)	
(3.2)	Short Term Capital Grants Receipts in Advance	37	(11.0)	
(0.1)	Short Term Finance Lease Liabilities	41	(0.1)	
(4.0)	Short Term Provisions	27	(2.7)	
<b>(131.0)</b>	<b>TOTAL CURRENT LIABILITIES</b>			<b>(150.3)</b>
(266.4)	Long Term Borrowing	20	(265.9)	
(1.2)	Long Term Finance Lease Liabilities	41	(1.1)	
(3.5)	Long Term Creditors	25	(5.5)	
(3.8)	Long Term Provisions	27	(4.7)	
(741.7)	Net Pensions Liability	10	(606.6)	
(27.1)	Long Term Capital Grants Receipts in Advance	37	(38.4)	
<b>(1,043.7)</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>			<b>(922.2)</b>
<b>258.2</b>	<b>NET ASSETS / (LIABILITIES)</b>			<b>447.6</b>
24.5	General Fund	11	27.0	
140.8	Earmarked Revenue Reserves	12	128.9	
3.7	Capital Receipts Reserve		0.1	
14.7	Capital Grants Unapplied		3.4	
<b>183.7</b>	<b>TOTAL USABLE RESERVES</b>			<b>159.4</b>
325.4	Revaluation Reserve	10	329.0	
499.0	Capital Adjustment Account	10	574.3	
(4.7)	Financial Instruments Adjustment Account	10	(4.5)	
(741.7)	Pension Reserve	10	(606.6)	
1.6	Collection Fund Adjustment Account	10	1.8	
(5.1)	Accumulated Absences Account	10	(5.8)	
<b>74.5</b>	<b>TOTAL UNUSABLE RESERVES</b>			<b>288.2</b>
<b>258.2</b>	<b>TOTAL RESERVES</b>			<b>447.6</b>

## Cash Flow Statement

2018/19 £m		Note	2019/20	
			£m	£m
(5.0)	Net (surplus) or deficit on the provision of services	1		(6.8)
(88.2)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(69.2)	
47.8	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	47.2	
(45.4)	Net cash flows from Operating Activities			(28.8)
63.3	Net cash flows from Investing Activities	29		(3.0)
0.5	Net cash flows from Financing Activities	30		0.5
<b>18.4</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>			<b>(31.3)</b>
<b>(33.8)</b>	<b>Cash and Cash Equivalents at the Beginning of the Reporting Period</b>	24		<b>(15.4)</b>
<b>(15.4)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	24		<b>(46.7)</b>

The notes to the financial statements are detailed on pages 14 - 85.

## Notes to the Accounts

### Note 1: Expenditure and Funding Analysis

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

#### Expenditure & Funding Analysis

RESTATEMENT

2018/19				2019/20		
Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES	Service Segment	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
£m	£m	£m		£m	£m	£m
122.5	9.4	131.9	Adults and Communities Department	136.6	7.8	144.4
10.3	4.3	14.6	Chief Executive's Department	10.8	1.5	12.3
73.9	30.1	104.0	Children and Family Services Department	84.9	26.0	110.9
32.1	17.2	49.3	Corporate Resources Department	38.3	10.6	48.9
67.0	17.7	84.7	Environment and Transport Department	75.3	21.6	96.9
(0.8)	1.5	0.7	Public Health Department	0	0.3	0.3
48.3	(47.5)	0.8	Central Items	58.0	(61.3)	(3.3)
<b>353.3</b>	<b>32.7</b>	<b>386.0</b>	<b>Net Cost of Services</b>	<b>403.9</b>	<b>6.5</b>	<b>410.4</b>
(369.5)	(21.5)	(391.0)	Other Income and Expenditure	(394.5)	(22.7)	(417.2)
<b>(16.2)</b>	<b>11.2</b>	<b>(5.0)</b>	<b>(Surplus) or Deficit</b>	<b>9.4</b>	<b>(16.2)</b>	<b>(6.8)</b>
		(149.1)	Opening General Fund Balance			(165.3)
		(16.2)	Less /Plus Surplus or (Deficit) on General Fund Balance in Year			9.4
		<b>(165.3)</b>	<b>Closing General Fund Balance</b>			<b>(155.9)</b>

## 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 2019/20				
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
<b>Service Segment</b>				
Adults & Communities Department	4.5	3.4	0.0	7.9
Chief Executive's Department	0.1	1.3	0.0	1.4
Children and Family Services Department	17.0	8.3	0.7	26.0
Corporate Resource Department	4.9	5.7	0.0	10.6
Environment & Transport Department	18.7	2.9	0.1	21.7
Public Health Department	0.0	0.3	0.0	0.3
Central Items	(59.3)	0.0	(2.0)	(61.3)
<b>Net Cost of Services</b>	<b>(14.1)</b>	<b>21.9</b>	<b>(1.2)</b>	<b>6.6</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	(41.2)	18.0	0.4	(22.8)
<b>Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services</b>	<b>(55.3)</b>	<b>39.9</b>	<b>(0.8)</b>	<b>(16.2)</b>

Adjustments Between Funding and Accounting Basis 2018/19				
Adjustments from the GCF to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
<b>Service Segment</b>				
Adults & Communities Department	5.0	4.3	0.1	9.4
Chief Executive's Department	3.0	1.3	0.0	4.3
Children and Family Services Department	15.7	13.8	0.6	30.1
Corporate Resources Department	12.4	4.7	0.1	17.2
Environment & Transport Department	14.7	2.9	0.1	17.7
Public Health Department	0.5	0.3	0.6	1.4
Central Items	(47.5)	0.0	0.1	(47.4)
<b>Net Cost of Services</b>	<b>3.8</b>	<b>27.3</b>	<b>1.6</b>	<b>32.7</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	(37.6)	16.2	0.0	(21.5)
<b>Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services</b>	<b>(33.8)</b>	<b>43.5</b>	<b>1.5</b>	<b>11.2</b>

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**Notes to the Accounts**


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**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:

2018/19		2019/20
Income from Services	Service Segment	Income from Services
£m		£m
(37.0)	Corporate Resources Department	(44.1)
(6.6)	Chief Executive's Department	(5.3)
(214.0)	Children and Family Services Department	(209.5)
(37.2)	Environment and Transport Department	(39.5)
(102.1)	Adults and Communities Department	(111.0)
(26.8)	Public Health Department	(27.4)
(4.9)	Central items	(4.8)
<b>(428.6)</b>	<b>Total Income Analysed on a Segmental Basis</b>	<b>(441.6)</b>



## Note 2: Expenditure and Funding Analysis (b)

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

2018/19 £m		2019/20 £m
	<b>Expenditure</b>	
274.6	Employee Benefits Expenses	293.8
44.3	IAS 19 and Other Pension Cost Adjustments	38.9
448.8	Other Service Expenses	452.3
44.7	Depreciation, amortisation and impairment	51.5
13.8	Interest Payments	13.9
0.3	Precepts and Levies	0.3
6.2	Loss on Disposal of Non-Current Assets	2.8
<b>832.7</b>	<b>Total Expenditure</b>	<b>853.5</b>
	<b>Income</b>	
(164.2)	Fees, Charges and Other Income	(163.1)
(2.9)	Interest and Investment Income	(3.5)
(352.7)	Council Tax and NNDR	(382.3)
(317.6)	Government Grants and Contributions	(310.2)
(0.3)	(Surplus) on Trading Accounts	1.2
<b>(837.7)</b>	<b>Total Income</b>	<b>(860.2)</b>
<b>(5.0)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>(6.8)</b>

## Note 3: Accounting standards issued but not yet adopted

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

- IFRS 16 Leases will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2021. The quantifiable impact is not known or reasonably estimable at this stage.
- IAS 19 Employee Benefits will require the remeasurement of net pension asset/liability following plan amendments, curtailments or settlements to be used to determine current service cost and net interest for the remainder of the year after the change to the plan. The updating of these assumptions only applies to changes from 1st April 2020 and, since this could result in positive, negative or no movement in the net pension liability, no prediction can be made of the possible accounting impact.

## 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.

## Notes to the Accounts

The items in the Authority's Balance Sheet at 31 March 2020 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	<p>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 2020 for approximately 50% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</p>	<p>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 £59.6m</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>
Property, Plant and Equipment	<p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the market becomes more fluid. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p> <p>Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate presents uncertainty as to whether the Authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets.</p> <p>The carrying value of Property, Plant and Equipment at 31 March 2020 is 1,078m.</p>	<p>The net book value of non-current assets subject to potential revaluation is £568.9m.</p> <p>It is estimated that the annual depreciation charge for Property, Plant and Equipment would increase by £1.0m for every year that useful lives had to be reduced.</p>

## Notes to the Accounts

Insurance Reserve	<p>The Insurance Reserve is held to meet the estimated costs of future claims to enable the Council to meet excesses not covered by insurance policies.</p> <p>There is uncertainty that the Authority may have to meet potential liabilities arising from its failed former insurer, Municipal Mutual Insurance Limited (MMI), that is subject to a run-off of claims following its closure to insurance business in 1992. The latest accounts of MMI show a balanced position.</p>	<p>The position is regularly reviewed to ensure that there are sufficient funds in the insurance reserve to fund future uninsured liabilities.</p> <p>As at 31 March 2020 the Insurance Reserve has a balance of £12m as shown in note 12.</p>
Pensions Liability	<p>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.</p> <p>The carrying value of the Pension Liability at 31 March 2020 is £607m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% decrease in the discount rate assumption would result in an increase in the pension liability of £165m. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by between £54m and £91m.</p> <p>However, the assumptions interact in complex ways. During 2019/20, the Authority's Actuary advised that the net pension liability had increased by £73m as a result of estimates being corrected as a result of experience and decreased by £246m attributable to updating of the assumptions.</p>
Debtors	<p>At 31 March 2020, the Authority had a balance of sundry debtors of £28m and secured memo debt (elderly persons debt secured against properties) of £4.4m. Provisions for doubtful debts are maintained for certain categories of income by individual departments. However, in the current economic climate it is not certain that such an allowance would be sufficient.</p>	<p>If collection rates were to deteriorate, a doubling of the amount of the impairment for doubtful debts would require an additional £2.8m to be set aside as an allowance.</p>

## Note 6: Material Items of Income and Expense

During 2019/20 five schools transferred to Academy Status resulting in the net book value of the schools, £2.8m (2018/19 eighteen schools at £6.4m) being written out of the Authority's Balance Sheet through the Other Operating Expenditure section of the Comprehensive Income and Expenditure Statement (CIES). These entries are reversed out via the Movement in Reserves Statement and do not have an impact on the General Fund. The Authority has no choice in whether to transfer these assets and does not receive any consideration for their transfer. Further transfers of schools to Academy Status are expected in 2020/21 and later years.

When schools become Academies the pension fund assets and liabilities of the schools, as assessed by the Actuary at the time of transfer, are transferred from the Authority's pension scheme to separate pension funds within the Local Government Pension Scheme. For 2019/20 there was an overall net reduction in liabilities to the Authority's pension scheme totalling £4.5m (2018/19 £3.1m) on settlement which has been credited to the central items line in the CIES.

## Note 7: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 27 November 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known).

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2020 as they provide information that is relevant to an understanding of the Authority's financial position, but do not relate to conditions at that date:

The outbreak of Covid-19 has impacted global economies. The full impact of this is not yet known but the impact on asset values is explained in note 5. The COVID-19 pandemic is also likely to result in a severe recession due to the nationwide lockdown and subsequent Government intervention in the economy. This will in turn impact the local economy but the full effect of this may not be known for some time. Central Government have provided grants to mitigate the impact of COVID-19 but this is likely to only cover half of the estimated amount required. The County Council is able to withstand the short-term impact, but the impact is likely to be long lasting and further efficiency measures, in addition to those that are already planned, are likely to be required. The COVID-19 pandemic will lead to additional costs, the loss of income and difficulties with implementing planned savings and the identification of new savings.

There is still uncertainty about the implications of Britain's departure from the European Union. At the current time it is not possible to predict the agreement that will be reached at the end of the transition period. The assumption has been made that this will not significantly impair the value of the Council's assets or change the discount rate in the IAS19 Pension disclosures. However, this assumption will be reviewed regularly. Higher impairment allowances may need to be charged in the future if asset values fall. If the discount rate changes, the size of the net pension liability will also vary.

McCloud Judgement - a ruling has been made by the Court of Appeal regarding age discrimination arising from public sector pension scheme transition arrangements. LGPS benefits accrued from 2014 may therefore need to be enhanced so that all members, regardless of age, will **benefit from the protections**. **The UK Government requested leave to appeal to the Supreme Court, but this was denied at the end of June 2019**. During the Summer 2020 the government released a consultation on applying the remedy to address the age discrimination inherent within the transitional protections that were adopted by the public service schemes in 2014 and 2015. The outcome of this consultation is not yet known.

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

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

The following sets out a description of the reserves that the adjustments are made against.

### General Fund Balance

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

## Notes to the Accounts

The General Fund Balance therefore summarises the resources that the Authority is statutorily empowered to spend on its services or on capital investment.

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

### Note 9: Usable Reserves

2019/20	Usable Reserves			Movement in Usable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
<b>Adjustments to the Revenue Resources</b>				
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	38.1			(38.1)
Financial Instruments	(0.2)			0.2
Council Tax and NDR	(0.2)			0.2
Accumulated Absences	0.7			(0.7)
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	51.0		(11.3)	(39.7)
<b>Total Adjustments to Revenue Resources</b>	<b>89.4</b>	<b>0.0</b>	<b>11.3</b>	<b>(78.1)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(2.1)	2.1		0.0
Statutory provision for the repayment of debt (MRP)	(10.0)			10.0
Principal repayments of transferred Debt	1.5			(1.5)
Capital expenditure financed from revenue balances	(51.0)			51.0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(61.6)</b>	<b>2.1</b>	<b>0.0</b>	<b>59.5</b>
<b>Adjustments to Capital Resources</b>				

## Notes to the Accounts

Use of the Capital Receipts Reserve to finance capital expenditure		(5.7)		5.7
Application of capital grants to finance capital expenditure	(44.0)			44.0
<b>Total Adjustments to Capital Resources</b>	<b>(44.0)</b>	<b>(5.7)</b>	<b>0.0</b>	<b>49.7</b>
<b>Total Adjustments</b>	<b>(16.2)</b>	<b>(3.6)</b>	<b>(11.3)</b>	<b>31.1</b>

2018/19	Usable Reserves			Movement in Usable Reserves £m
	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs	41.7			(41.7)
Financial Instruments	(0.2)			0.2
Council Tax and NDR	2.1			(2.1)
Accumulated Absences	(1.1)			1.1
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	61.6		2.3	(63.9)
<b>Total Adjustments to Revenue Resources</b>	<b>104.1</b>	<b>0.0</b>	<b>2.3</b>	<b>(106.4)</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(7.5)	7.5		0.0
Statutory provision for the repayment of debt (MRP)	(10.4)			10.4
Principal repayments of transferred Debt & Local Authority Mortgage Scheme (LAMS)	5.0			(5.0)
Capital expenditure financed from revenue balances	(25.9)			25.9
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(38.8)</b>	<b>7.5</b>	<b>0.0</b>	<b>31.3</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(5.0)		5.0
Application of capital grants to finance capital expenditure	(54.1)			54.1
<b>Total Adjustments to Capital Resources</b>	<b>(54.1)</b>	<b>(5.0)</b>	<b>0.0</b>	<b>59.1</b>
<b>Total Adjustments</b>	<b>11.2</b>	<b>2.5</b>	<b>2.3</b>	<b>(16.0)</b>



## 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.

2018/19 £m		2019/20 £m
<b>282.6</b>	<b>Balance at 1 April</b>	<b>325.4</b>
72.4	Upward revaluation of assets	52.3
(20.1)	Downward revaluation of assets losses not charged to the Surplus or (Deficit) on the Provision of Services	(42.9)
(5.8)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2.0)
(3.7)	Difference between fair value depreciation and historical cost depreciation	(3.8)
<b>325.4</b>	<b>Balance at 31 March</b>	<b>329.0</b>

### Capital Adjustment Account

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

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

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



## Notes to the Accounts

2018/19 £m		2019/20 £m
460.3	<b>Balance at 1 April</b>	499.0
	<b>Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure:</b>	
(24.6)	Charges for depreciation of non-current assets	(22.7)
(12.8)	Revaluation losses on Property, Plant and Equipment	(9.0)
(0.9)	Amortisation of intangible assets	(0.6)
(9.3)	Revenue expenditure funded from capital under statute	(9.3)
(5.1)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2.9)
	<b>Capital financing applied in year:</b>	
5.0	Use of the Capital Receipts Reserve to finance new capital expenditure	5.7
54.1	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	44.0
0.0	Application of grants to capital financing from the Capital Grants Unapplied Account	11.3
10.4	Statutory provision for the financing of capital investment charged against the General Fund Balance	10.0
0.6	Fair value profit and loss valuations	(0.8)
(4.9)	Principal Repayments of transferred Debt and Local Authority Mortgage Scheme	(1.5)
26.0	Capital expenditure charged against the General Fund Balance	51.0
0.2	Movements in the Fair Value of Investment Properties	0.0
<b>499.0</b>	<b>Balance at 31 March</b>	<b>574.3</b>

### 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.

2018/19 £m		2019/20 £m
(4.9)	<b>Balance at 1 April</b>	(4.7)
	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	(0.2)
<b>(4.7)</b>	<b>Balance at 31 March</b>	<b>(4.5)</b>

## Notes to the Accounts

### 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.

2018/19 £m		2019/20 £m
(589.2)	<b>Balance at 1 April</b>	(741.7)
(110.8)	Remeasurements of the net defined benefit liability	173.2
(78.8)	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(79.8)
37.1	Employer's pensions contributions and direct payments to pensioners payable in the year	41.7
<b>(741.7)</b>	<b>Balance at 31 March</b>	<b>(606.6)</b>

### 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).

2018/19 £m		2019/20 £m
3.7	<b>Balance at 1 April</b>	1.6
(2.1)	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.	0.2
<b>1.6</b>	<b>Balance at 31 March</b>	<b>1.8</b>

### 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.

2018/19 £m		2019/20 £m
(4.0)	<b>Balance at 1 April</b>	(5.1)
4.0	Settlement or cancellation of accrual made at the end of the preceding year	5.1
(5.1)	Amounts accrued at the end of the current year	(5.8)
(1.1)	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	(0.7)
(5.1)	<b>Balance at 31 March</b>	(5.8)

### Note 11: General Fund Balance

The balance of the fund includes the following sums:

2018/19 £m		2019/20 £m
8.7	Delegated Funding for Schools	8.0
0.0	Carry forward of underspend across other services	0.0
<b>8.7</b>	<b>Earmarked Reserves as at 31 March</b>	<b>8.0</b>
0.0	Dedicated Schools Grant – Growth Funding	3.0
0.0	Dedicated Schools Grant – High Needs Deficit carried forward	(7.1)
15.8	Uncommitted balance	23.1
<b>24.5</b>	<b>Balance at 31 March</b>	<b>27.0</b>

Dedicated Schools Grant net deficit (£4.1m) temporarily reported against the overall General Fund balance. (see further explanation in note 12)

## Notes to the Accounts

## Note 12: Movements in Earmarked Revenue Reserves

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

	Balance at 31 March 2018	From Revenue	To Revenue	Balance at 31 March 2019	From Revenue	To Revenue	Balance at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
Insurance	12.4	1.3	(0.8)	12.9	1.9	-2.8	12.0
Renewals of Vehicles & Equipment	5.7	0.5	(2.0)	4.2	0.4	-1.3	3.3
Children & Family Services							
- Supporting Leicestershire Families	1.6	0.0	0.0	1.6	0.2	0.0	1.8
- C&FS Developments	1.3	0.0	(0.3)	1.0	0.5	-0.4	1.1
Adults & Communities							
- Adult & Social Care Developments	2.0	4.9	(1.3)	5.6	3.4	-4.0	5.0
Public Health - Leicestershire & Rutland Sport	1.1	0.2	0.0	1.3	0.2	0.0	1.5
Environment & Transport							
- Commuted Sums	2.6	0.5	0.0	3.1	0.8	-0.8	3.1
- LLITM	2.2	0.6	(0.5)	2.3	0.4	-0.5	2.2
Corporate Resources - Industrial Properties	1.2	0.7	(0.4)	1.5	0.6	-1.0	1.1
Corporate							
- Capital Financing	60.7	42.3	(28.1)	74.9	37.2	-58.5	53.6
- Government Grant Cashflow Funding	0.0	0.0	0.0	0.0	19.7	0.0	19.7
- Transformation Fund	11.9	3.2	(3.1)	12.0	0.2	-4.7	7.5
- Broadband	5.7	0.2	(2.3)	3.6	0.0	-0.2	3.4
- Business Rates Retention	1.6	0.9	0.0	2.5	0.0	-0.9	1.6
- Inquiry & Other Costs	1.2	0.0	0.0	1.2	0.0	-0.2	1.0
- Pooled Private Debts Fund unrealised gains	0.0	0.9	0.0	0.9	0.1	0.0	1.0
Other (reserves below £1m at 31 March 20)	11.7	1.8	(3.0)	10.5	2.5	-3.0	10.0
<b>Sub-Total</b>	<b>122.9</b>	<b>58.0</b>	<b>(41.8)</b>	<b>139.1</b>	<b>68.1</b>	<b>-78.3</b>	<b>128.9</b>
Children and Family Services – Dedicated Schools Grant	2.2	1.9	(2.4)	1.7	1.9	-3.6	0.0
<b>TOTAL</b>	<b>125.1</b>	<b>59.9</b>	<b>(44.2)</b>	<b>140.8</b>	<b>70.0</b>	<b>-81.9</b>	<b>128.9</b>

The following are the main reserves held by the Authority:

**Insurance**

The insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding, unsettled at 31 March 2020 and a reserve to meet future claims.

## Notes to the Accounts

### **Renewal of Systems, Equipment and Vehicle**

Resources for the funding of replacement IT systems, equipment and vehicles.

### **Children & Family Services - Supporting Leicestershire Families**

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

### **Adult & Social Care Developments**

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

### **Commuted Sums**

To fund future revenue costs arising from developer schemes.

### **Leicester and Leicestershire Integrated Transport Model (LLITM)**

The reserve is for money generated from charging other local authorities for using this model. Surplus income is added into the reserve and will be used to finance activity to refresh the model in the future.

### **Capital Financing**

Revenue contributions to fund capital expenditure in future years.

### **Government Grant Cashflow Funding**

Monies received from the Government in March 2020 towards the financial pressures relating to Covid-19, including the early payment of the Business Rates Section 31 Grant for 2020/21, to be carried forward for use in 2020/21.

### **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.

### **Broadband**

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

### **Children & Family Services – Dedicated Schools Grant (DSG)**

DSG is ring fenced and can only be applied to meet expenditure properly included in the schools budget, as defined in the School and Early Years Finance (England) Regulations 2017. As at the 31 March 2020 the balance on the reserve was a deficit of £4.1m which has been temporarily shown against the General Fund balance in Note 11.

## Note 13: Other Operating Expenditure

2018/19 £m		2019/20 £m
0.3	Flood Defence Levies	0.3
(0.4)	(Gains)/losses on the disposal of non-current assets (Excluding Academies)	0.0
6.4	(Gains)/losses on the disposal of Academies	2.9
<b>6.3</b>	<b>Total</b>	<b>3.2</b>

**Note 14: Financing and Investment Income and Expenditure**

2018/19 £m		2019/20 £m
13.8	Interest payable and similar charges	13.9
16.0	Pensions interest cost and expected return on pensions assets	18.0
(4.0)	Interest receivable and similar income	(3.5)
(0.3)	Income & Expenditure in relation to investment properties and changes in their fair value	0.0
(0.3)	Other investment income & Expenditure	0.6
<b>25.2</b>	<b>Total</b>	<b>29.0</b>

**Note 15: Taxation and Non-Specific Grant Incomes**

2018/19 £m		2019/20 £m
(286.9)	Council tax income	(303.4)
(65.8)	Non-domestic rates	(78.9)
(14.2)	Non ring-fenced government grants	(22.9)
(56.5)	Capital grants and contributions	(44.1)
<b>(423.4)</b>	<b>Total</b>	<b>(449.3)</b>

**Note 16: Pensions Revenue Costs****a) Local Government Pension Scheme – A defined benefit scheme**

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

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

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

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory

## Notes to the Accounts

requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note 48.

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

The IAS 19 balance sheet position as at 31<sup>st</sup> March 2020 has improved since the previous year. The discount rate used in the valuation decreased marginally (in line with AA rated corporate bond yields) from 2.4% to 2.3%, which had the impact of reducing the present value of future liabilities. Overall the net liability within the LGPS reduced to £607m (31 March 2019, £742m).

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

2018/19 £m		2019/20 £m
	<b>Comprehensive Income and Expenditure Statement</b>	
	Cost of Services	
	<b>Service cost comprising:</b>	
52.6	Current service cost	66.1
13.1	Past service costs	
(3.1)	Settlements and Curtailments	0.3
		(4.6)
	<b>Financing and Investment Income and Expenditure:</b>	
16.2	Net Interest expense	18.0
<b>78.8</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>79.8</b>
	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<b>Remeasurement of the net defined benefit liability comprising:</b>	
(35.6)	Return on planned assets (excluding the amount included in the net interest expense)	116.2
0.0	Actuarial gains/losses arising from changes in demographic assumptions	(63.5)
145.1	Actuarial gains/losses arising from changes in financial assumptions	(182.6)
1.3	Other	(43.2)
<b>189.6</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(93.3)</b>
	<b>Movements in Reserves Statement</b>	
<b>41.7</b>	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	<b>38.1</b>
	<b>Actual amount charged against the General Fund</b>	
	<b>Balance for Pensions in the year</b>	
34.2	Employers contributions payable to scheme	38.8
2.9	Unfunded benefits	2.9
<b>37.1</b>	<b>Total amount charged against the General Fund Balance for Pensions in the year</b>	<b>41.7</b>

## Notes to the Accounts

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 2020 was a loss of £607m and at 31 March 2019 was a loss of £742m.

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

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

2018/19 £m		2019/20 £m
<b>(1,832.6)</b>	<b>As at 1 April</b>	<b>(2,043.9)</b>
(52.6)	Current service cost	(66.1)
(49.6)	Interest Cost	(49.2)
(8.9)	Contributions by scheme participants	(9.6)
	Remeasurement (gains) and losses:	
0.0	Changes in demographic assumptions	63.6
(145.1)	Changes in financial assumptions	182.7
(1.1)	Other	43.0
	Past service costs:	
(13.1)	(Losses) / Gains on curtailments	(0.3)
52.9	Benefits paid	58.5
6.2	Liabilities extinguished on settlements	7.6
<b>(2,043.9)</b>	<b>As at 31 March</b>	<b>(1,813.7)</b>

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

2018/19 £m		2019/20 £m
<b>1,243.4</b>	<b>As at 1 April</b>	<b>1,302.2</b>
33.4	Interest Income	31.2
	Remeasurement gain/(loss):	
35.6	Return on plan assets	(116.2)
33.9	Employer contributions	38.8
8.8	Contributions by scheme participants	9.6
(52.9)	Benefits paid	(58.5)
3.1	Contributions in respect of unfunded benefits	3.0
(3.1)	(Losses) / Gains on settlements	(3.0)
<b>1,302.2</b>	<b>As at 31 March</b>	<b>1,207.1</b>

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.



## Notes to the Accounts

Local Government Pension Scheme assets comprised:

2018/19			2019/20	
£m	% of total assets		£m	% of total assets
22.7	2%	Equity Securities: Other	21.0	2%
110.3	9%	Debt Securities: UK Government	102.2	8%
16.9	1%	Other	15.6	1%
60.0	5%	Private Equity	55.6	5%
97.3	7%	Real Estate: UK Property	90.2	8%
523.0	40%	Investment Funds and Unit Trusts: Equities	483.8	40%
55.0	4%	Bonds	51.0	4%
0.1	0%	Hedge Funds	0.1	0%
46.1	4%	Commodities	42.6	4%
68.5	5%	Infrastructure	63.4	5%
265.0	20%	Other	245.6	20%
	0%	Derivatives Interest rate		
(1.7)	0%	Foreign Exchange	(0.1)	0%
39.0	3%	Cash and Cash Equivalents	36.1	3%
<b>1,302.2</b>	<b>100%</b>	<b>As at 31 March</b>	<b>1,207.1</b>	<b>100%</b>

The scheme history of the pension fund is as follows:

	2015/16 £m	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Present value of liabilities:	(1,522.5)	(1,816.5)	(1,832.6)	(2,043.9)	(1,813.7)
Fair value of assets:	998.8	1,202.0	1,243.4	1,302.2	1,207.1
<b>Surplus / (Deficit)</b>	<b>(523.7)</b>	<b>(614.5)</b>	<b>(589.2)</b>	<b>(741.7)</b>	<b>(606.6)</b>

The liability shows the underlying commitment that the Authority has in the long run to pay post-employment (retirement) benefits. This total liability of £607m 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 31<sup>st</sup> March 2019.

The principal assumptions used by the actuary have been:

31 March 2019		31 March 2020
	Mortality assumptions (in years):	
	Longevity at 65 for current pensioners:	
22.1	▪ Men	21.5
24.3	▪ Women	23.8
	Longevity at 65 for future pensioners:	
23.8	▪ Men	22.2
26.2	▪ Women	25.2
3.5%	Rate of inflation	2.4%
3.5%	Rate of increases in salaries	2.4%
2.5%	Rate of increase in pensions	1.9%
2.4%	Rate for discounting scheme liabilities	2.3%
	Proportion of employees opting to commute part of their annual pension to a retirement lump sum:	
50%	Pre April 2008 Service	50%
75%	Post April 2008 Service	75%

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

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

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

## Notes to the Accounts

Sensitivities regarding the principal assumptions used to measure the scheme liabilities at 31 March 2020:

	Approximate % Increase in Employer Liability	Approximate monetary amount (£m)
0.5% decrease in Real Discount Rate	9%	165.1
0.5% increase in the Salary Increase Rate	1%	15.2
0.5% increase in the Pension Increase Rate	8%	148.6

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

### Pension Fund Risk Management Strategy

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

These investment risks are managed as part of the overall pension fund risk management programme.

Responsibility for the Fund's risk management strategy rests with the Pension Fund Management Board and is monitored annually or more frequently if required.

Further details can be found within the Pension Fund Statement of Accounts, included at the end of this document.

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 20 years. Funding levels are monitored on an annual basis. The last triennial valuation was completed on 31 March 2019.

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 £39.6m expected contributions to the scheme in 2020/21.

The weighted average duration of the defined benefit obligation for scheme members is 19 years, 2019/20 (17.4 years 2018/19).

### 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 2019/20 the Authority paid £8.9m (2018/19 £7.3m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 16.5% to 1<sup>st</sup> September and then 23.7% (2018/19 16.5%) of teachers' pensionable pay. This is also the amount recognised as an expense in the Comprehensive Income and Expenditure Statement with regards to this scheme. In addition, the Authority is responsible for all pension payments relating to pension enhancements for added years' service it has awarded, together with the related increases. In 2019/20 these amounted to £1.9m (2018/19 £2.0m), representing 4.8% (2018/19 4.9%) of pensionable pay.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 16b.

### d) Public Health

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

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

In 2019/20 the Authority paid £0.1m to the NHS pension scheme (£0.0m in 2018/19) in respect of public health staff. This amount is recognised as an expense in the CIES under the Public Health services line.

## Notes to the Accounts

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

	Land and Buildings*	Vehicles Plant and Equipment	Infrastructure	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m	£m
<b>Gross Carrying Amount as at 31 March 2019</b>	<b>560.9</b>	<b>22.6</b>	<b>435.2</b>	<b>11.3</b>	<b>32.9</b>	<b>4.1</b>	<b>1,067.0</b>	<b>3.8</b>	<b>1.7</b>
Additions	21.5	1.6	18.0	0.0	58.3	0.0	99.4	0.7	0.0
Capital Expenditure Not Increasing Value	(3.4)	(0.3)	0.0	0.0	0.0	0.0	(3.7)	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	5.7	0.0	0.0	0.0	0.0	0.0	5.7	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(10.9)	0.0	0.0	0.0	0.0	0.0	(10.9)	0.0	0.0
Disposals	(3.9)	0.0	0.0	0.0	0.0	(1.7)	(5.6)	0.0	0.0
Asset Reclassifications	11.0	0.0	1.6	0.0	(13.4)	0.0	(0.8)	0.8	0.0
<b>Gross Carrying Amount as at 31 March 2020</b>	<b>580.9</b>	<b>23.9</b>	<b>454.8</b>	<b>11.3</b>	<b>77.8</b>	<b>2.4</b>	<b>1,151.1</b>	<b>5.3</b>	<b>1.7</b>
<b>Accumulated Depreciation as at 1 April 2019</b>	<b>(13.3)</b>	<b>(9.4)</b>	<b>(34.1)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(56.9)</b>	<b>(2.2)</b>	<b>0.0</b>
Depreciation	(8.0)	(4.0)	(13.5)	0.0	0.0	0.0	(25.5)	(0.6)	0.0
Depreciation written out to the Revaluation Reserve	3.7	0.0	0.0	0.0	0.0	0.0	3.7	0.0	0.0
Depreciation written out to the Surplus/ Deficit	1.9	0.0	0.0	0.0	0.0	0.0	1.9	0.0	0.0
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	3.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0
Derecognition Depreciation	0.7	0.0	0.0	0.0	0.0	0.0	0.7	0.0	0.0
<b>Accumulated Depreciation as at 31 March 2020</b>	<b>(12.0)</b>	<b>(13.4)</b>	<b>(47.6)</b>	<b>0.0</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(73.1)</b>	<b>(2.8)</b>	<b>0.0</b>
<b>Net Book Value as at 31 March 2020</b>	<b>568.9</b>	<b>10.5</b>	<b>407.2</b>	<b>11.3</b>	<b>77.8</b>	<b>2.3</b>	<b>1,078.0</b>	<b>2.5</b>	<b>1.7</b>

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

## Notes to the Accounts

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

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

## Depreciation/Amortisation

Where depreciation/amortisation is provided for, assets are depreciated/amortised using the straight line method over the following periods:

- Intangible assets – 5 years.
- Buildings – varies from asset to asset (the remaining useful economic life of each asset is reviewed at the same time as the revaluation is completed, new builds are usually estimated to have a useful life of 70 years).
- Infrastructure – 40 years.
- Vehicles, plant, furniture and equipment – estimated useful life (averaging around 5 years).
- Land, community assets, assets under construction, surplus assets and assets held for sale – are held at cost or market value or have an indefinite life and are not depreciated.

## Capital Commitments

At of 31 March 2020, the Authority has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment in 2019/20 and future years budgeted to cost £15.8m, commitments at 31 March 2019 were to a value of £28.7m). The following table outlines the major contracts:

Major Contracts	£m
M1 Junction 23 & A512 Scheme	7.3
Loughborough University Science Enterprise Park Development	5.8
Snibston & Country Park - Masterplan	2.7

## 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. The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. Note 48 provides further details on the Authority's accounting policies.

	Land and Buildings £m	Surplus Assets £m	Total £m
<b>Carried at Historical Cost:</b>	59.2	0.0	59.2
<b>Valued at Fair Value as at:</b>			
31 March 2020	287.7	0.7	288.4
31 March 2019	54.3	1.2	55.5
31 March 2018	125.6	0.4	126.0
31 March 2017	27.9	0.0	27.9
31 March 2016	14.2	0.0	14.2

## Notes to the Accounts

<b>Total Cost or Valuation</b>	<b>568.9</b>	<b>2.3</b>	<b>571.2</b>
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**Non-Current Intangible Assets**

The Authority has non-current intangible assets of £2.5m (£1.6m 2018/19). This includes ICT software licences required to support and safeguard the ICT systems operated by the Authority.

**Fair Value Hierarchy**

The Authority's surplus property portfolio has been assessed as Level 2 for valuation purposes. Please refer to Note 48 for further details concerning fair value and the input hierarchy.

	2019/20		
	£m	£m	£m
	Level 1	Level 2	Level 3
	<i>Quoted Prices in Active Markets for Identical Assets</i>	<i>Other Significant Observable Inputs</i>	<i>Significant Unobservable Inputs</i>
<b>Total - Surplus Properties</b>		<b>2.3</b>	

	2018/19		
	£m	£m	£m
	Level 1	Level 2	Level 3
	<i>Quoted Prices in Active Markets for Identical Assets</i>	<i>Other Significant Observable Inputs</i>	<i>Significant Unobservable Inputs</i>
<b>Total – Surplus Properties</b>		<b>4.0</b>	

**Note 18: Heritage Assets**

	Art Collection	Archaeological Collection	Fashion Collection	Working Life Collection	Civic Collection	Total
	£m	£m	£m	£m	£m	£m
<b>Net book value as at 31 March 2019</b>	<b>3.2</b>	<b>0.4</b>	<b>0.1</b>	<b>0.8</b>	<b>0.2</b>	<b>4.7</b>
Additions	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Disposals	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>



## Notes to the Accounts

<b>Net Book Value as at 31 March 2020</b>	<b>3.2</b>	<b>0.4</b>	<b>0.1</b>	<b>0.8</b>	<b>0.2</b>	<b>4.7</b>
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<b>Net Book value as at 31 March 2018</b>	<b>3.0</b>	<b>0.4</b>	<b>0.1</b>	<b>0.8</b>	<b>0.2</b>	<b>4.5</b>
Additions	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Disposals	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.2	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Depreciation	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Net Book Value as at 31 March 2029</b>	<b>3.2</b>	<b>0.4</b>	<b>0.1</b>	<b>0.8</b>	<b>0.2</b>	<b>4.7</b>

As per the accounting policy for Heritage Assets within note 49, assets and additions are initially recognised at cost. Revaluations are based on specialist or insurance valuations. Sale proceeds are accounted for in accordance with statutory requirements as these assets would meet the definition of a capital receipt.

### Heritage Asset Collections:

#### The Art Collection

The collection consists of works of art which were initially acquired by the former Education Authority for loan to schools and colleges. Artists represented include Christopher Wood and William Scott. Some of the notable paintings of most value are works by the nineteenth century local artist John Ferneley Snr.

#### The Archaeological Collection

This collection includes the Hallaton treasure, the largest hoard of British Iron Age coins, which was initially discovered near Hallaton in 2000. The hoard includes over 5,000 silver and gold coins, a silver-gilt Roman parade helmet, 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 20<sup>th</sup> century) the Whitwick hearse; steam traction engines, battery electric vehicles (including a local ice cream van) and the Blue Box Century Theatre; the only fully equipped solid structure, mobile theatre in the world. The dream of John Ridley, an engineer, was turned into reality in a Hinckley yard between 1948 and 1952. Many famous names are associated with the theatre including Laurence Olivier, Agatha Christie, Enid Blyton, Judi Dench, Helen Mirren, Tom Courtney, Derek Fowlds and Eileen Derbyshire.

### The Civic Collection

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

### Note 19: Investment Property

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

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

2018/19 £m		2019/20 £m
(0.1)	Rental Income From Investment Property	(0.1)
0.0	Direct Operating Expenses	
<b>(0.1)</b>	<b>(Surplus) / Deficit</b>	<b>(0.1)</b>

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:

2018/19 £m		2019/20 £m
<b>1.1</b>	<b>Opening Balance as at 1st April</b>	<b>1.4</b>
0.0	Additions – Purchases	0.0
0.0	Additions – Construction	<b>0.0</b>
0.0	Additions - Subsequent Expenditure	0.0
0.0	Disposals	0.0
0.3	Gain/Loss From Fair Value Adjustments	0.0
	<b>Transfers:</b>	
0.0	(To)/From Inventory	0.0
0.0	(To)/From Property, Plant & Equipment	0.0
<b>1.4</b>	<b>Closing Balance as at 31st March</b>	<b>1.4</b>

As of 31<sup>st</sup> March 2020 no investment properties are classified as assets held for sale.

## Notes to the Accounts

## Fair Value Hierarchy

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

	2019/20		
	£m	£m	£m
Investment Properties	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Residential Properties		0.7	
Commercial Units		0.6	
Other		0.1	
<b>Total</b>		<b>1.4</b>	

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

## 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:

31 March 2019 Long Term £m	31 March 2020 Current £m		31 March 2019 Long Term £m	31 March 2020 Current £m
		<b>Financial Assets at Amortised Cost:</b>		
10.0	216.0	Investments	9.2	185.8
32.2	74.5	Debtors	30.8	90.9
0.0	15.4	Cash and Cash Equivalents	0.0	46.7
0.0	0.0	Available for Sale Financial Assets	0.0	0.0
		<b>Financial Assets at Fair Value through Profit and Loss:</b>		
44.0	0.0	Investments	45.9	0.0
<b>86.2</b>	<b>305.9</b>	<b>Total Financial Assets</b>	<b>85.9</b>	<b>323.4</b>
		<b>Financial Liabilities at Amortised Cost:</b>		
203.6	3.7	Borrowing	203.1	3.7
30.7	99.9	Creditors	43.9	119.1
1.3	0.0	Finance Lease Liabilities	1.2	0.0
		<b>Financial Liabilities at Fair Value through Profit and Loss:</b>		
62.8	0.0	Borrowing	62.8	0.0
<b>298.4</b>	<b>103.6</b>	<b>Total Financial Liabilities</b>	<b>311.0</b>	<b>122.8</b>

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:

2018/19 £m		2019/20 £m
1.1	<b>Net Gains/(Losses) on:</b> Financial Assets measured at Fair Value through Profit and Loss	(0.6)
<b>1.1</b>	<b>Total Net Gains/ (Losses)</b>	<b>(0.6)</b>
<b>4.7</b>	<b>Total Interest Income</b>	<b>5.2</b>
<b>15.3</b>	<b>Total Interest Expense</b>	<b>15.4</b>

## Notes to the Accounts

## Fair Value of Assets and Liabilities carried at Amortised Cost

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

31 March 2019			31 March 2020	
Carrying Amount £m	At Fair Value £m		Carrying Amount £m	At Fair Value £m
218.5	228.5	<b>Financial Assets</b>	237.4	239.3
270.1	477.7	<b>Financial Liabilities</b>	269.6	454.1

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

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

## Fair Value Hierarchy

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

Fair Value	2019/20		
	£m	£m	£m
	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Financial Assets		219.0	
Financial Liabilities		(454.1)	
<b>Total</b>		<b>(235.1)</b>	

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

## Notes to the Accounts

## Note 21: Inventories

	Leicestershire Highways (stores)	Leicestershire Highways (fuel)	School Food (consumables)	Sub-total	Other (less than £0.1m)	Total
	£m	£m	£m	£m	£m	£m
<b>Opening Balance 31 March 2019</b>	<b>0.8</b>	<b>0.1</b>	<b>0.2</b>	<b>1.1</b>	<b>0.3</b>	<b>1.4</b>
Purchases	3.6	0.6	3.6	7.8	0.7	8.5
Recognised as an expense during the year	(3.5)	(0.6)	(3.5)	(7.6)	(0.6)	(8.2)
<b>Closing Balance 31 March 2020</b>	<b>0.9</b>	<b>0.1</b>	<b>0.3</b>	<b>1.3</b>	<b>0.4</b>	<b>1.7</b>

## Note 22: Long Term Debtors

31 March 2019 £m		31 March 2020 £m
	<b>Long Term Debtors (amounts falling due after one year)</b>	
28.6	Outstanding debt relating to transferred services (e.g. Leicester City, Police, ESPO)	27.2
3.0	Residential Care Charges (secured against properties)	3.1
0.6	Other Long Term Debtors	0.5
<b>32.2</b>	<b>Total Long Term Debtors</b>	<b>30.8</b>

**Note 23: Short Term Debtors**

31 March 2019 £m				31 March 2020 £m		
Debtors	Payments in Advance	Total		Debtors	Payments in Advance	Total
76.1	18.1	94.2	<b>Total Short Term Debtors</b>	85.4	26.3	111.7

**Note 24: Cash & Cash Equivalents**

31 March 2019 £m			31 March 2020 £m	
		<b>Net Cash Balance at Year End:</b>		
(0.3)		School & Imprest Accounts		10.3
1.2		Main Bank Accounts		22.7
<b>0.9</b>		<b>Subtotal Cash In Hand / (Overdrawn)</b>		<b>33.0</b>
12.0		Service User Funds Bank Account*		13.7
2.5		Short-Term Deposits with Banks and Building Societies		0.0
<b>15.4</b>		<b>Total Cash and Cash Equivalents</b>		<b>46.7</b>

\* 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 2019 £m			31 March 2020 £m	
		<b>Amounts Received in Advance: (more than one year)</b>		
0.2		Regional Growth Fund		0.0
3.3		Section 106 Housing Developer Revenue Contributions		5.5
<b>3.5</b>		<b>Total Long Term Creditors</b>		<b>5.5</b>

## Notes to the Accounts

## Note 26: Short Term Creditors

31 March 2019 £m				31 March 2020 £m		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
104.9	15.1	120.0	Total Short Term Creditors	120.1	12.7	132.8

## Note 27: Provisions

	31 March 2019 £m	Additional Provisions £m	Provisions Used £m	31 March 2020 £m
<b>Short Term</b>				
Non Domestic Rates	2.9	0.0	(0.6)	2.3
Insurance	0.4	0.1	(0.3)	0.2
CRC Liability	0.1	0.0	(0.1)	0.0
Other	0.6	0.2	(0.6)	0.2
<b>Total Short Term Provisions</b>	<b>4.0</b>	<b>0.3</b>	<b>(1.6)</b>	<b>2.7</b>
<b>Long Term</b>				
Insurance	3.8	1.7	(0.8)	4.7
<b>Total Long Term Provisions</b>	<b>3.8</b>	<b>1.7</b>	<b>(0.8)</b>	<b>4.7</b>
<b>Total Provisions</b>	<b>7.8</b>	<b>2.0</b>	<b>(2.4)</b>	<b>7.4</b>

## Details of Provisions Held:

## Non Domestic Rate Appeals (LCC Share)

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

## Insurance

The insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding, unsettled claims at 31 March 2020 and a reserve to meet future claims. The provision is expected to be used within the next seven years. The Insurance provision includes Public/Employers Liability, Fire and Uninsured Losses.



## Note 28: Cash Flow Statement – Operating Activities

2018/19 £m		2019/20 £m
	<i>The cash flows for operating activities include the following items:</i>	
(4.3)	Interest Received	(5.5)
15.6	Interest Paid	15.6
	<i>The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:</i>	
(24.9)	Depreciation	(26.3)
(17.2)	Impairment and Downward Revaluations	(9.6)
(4.0)	Increase / (decrease) in Creditors	(14.9)
(0.1)	Increase / (decrease) in Debtors	14.7
0.5	Increase / (decrease) in Inventories	0.2
(41.7)	Movement in Pension Liability	(38.2)
(10.6)	Carrying amount of Non-Current Assets Sold or De-recognised	(5.0)
(1.5)	Other non-cash items charged to the net surplus or deficit on the provision of services	(0.2)
<b>(88.2)</b>	<b>Total adjustments to the net surplus or deficit on the provision of services for non-cash movements</b>	<b>(69.2)</b>
	<i>The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:</i>	
4.5	Proceeds from the sale of property, plant and equipment investment property and intangible assets	2.1
(10.8)	Servicing of Finance	(10.3)
54.1	Capital Grants and Contributions	55.4
<b>47.8</b>	<b>Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>47.2</b>

## Note 29: Cash Flow Statement - Investing Activities

2018/19 £m		2019/20 £m
59.4	Purchase of property, plant and equipment, investment property and intangible assets	82.8
60.4	Purchase of short-term and long-term investments	(28.1)
(4.5)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(2.1)
(54.1)	Capital Grants and Contributions	(55.4)
2.1	Other receipts from investing activities	(0.2)
<b>63.3</b>	<b>Net Cash Flows from Investing Activities</b>	<b>(3.0)</b>

## Note 30: Cash Flow Statement - Financing Activities

2018/19 £m		2019/20 £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
<b>0.5</b>	<b>Net Cash Flows from Financing Activities</b>	<b>0.5</b>

## Note 31: Trading Operations

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

Industrial Properties	£m
Income	(1.9)
Expenditure	2.2
<b>Deficit in 2019/20</b>	<b>0.3</b>
<b>Surplus in 2018/19</b>	<b>(1.3)</b>

## Note 32: Pooled Budgets

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

### a) Integrated Community Equipment Service

The other members that contribute to this pool are Leicester City Council, Rutland County Council, NHS West Leicestershire Clinical Commissioning Group, NHS East Leicestershire and Rutland Clinical Commissioning Group and NHS Leicester City Clinical Commissioning Group. Leicester City Council acts as the host authority. The Authority contributed £1.2m (2018/19 £1.1m) to the pool. The memorandum account shows total expenditure of £5.5m (2018/19 £5.1m) and gross income of £5.5m (2018/19 £5.1m). Funding commenced in 2005/06 and the partners have agreed to commission this service until March 2021.

2018/19 £m		2019/20 £m
	<b>Funding Provided to the Pooled Budget</b>	
(1.1)	Leicestershire County Council	(1.2)
(4.0)	Clinical Commissioning Groups / Leicester City Council / Rutland County Council	(4.3)
<b>(5.1)</b>	<b>Total</b>	<b>(5.5)</b>
	<b>Expenditure Met from the Pooled Budget</b>	
1.1	Leicestershire County Council	1.2
4.0	Clinical Commissioning Groups / Leicester City Council / Rutland County Council	4.3
<b>5.1</b>	<b>Total</b>	<b>5.5</b>
<b>0.0</b>	<b>Net Position on the Pooled Budget</b>	<b>0.0</b>

**b) The provision of services for adults with learning disabilities**

Partners who contribute to this pool are NHS West Leicestershire Clinical Commissioning Group and NHS East Leicestershire and Rutland Clinical Commissioning Group. Leicestershire County Council acts as host to the arrangement. The Authority contributed £9.0m (2018/19 £7.9m). The memorandum account shows total expenditure of £18.0m (2018/19 £20.3m) and gross income from the partners of £18.0m (2018/19 £21.8m). 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.

2018/19 £m		2019/20 £m
	<b>Funding Provided to the Pooled Budget</b>	
(7.9)	Leicestershire County Council	(9.0)
(13.9)	Clinical Commissioning Groups	(9.0)
<b>(21.8)</b>	<b>Total</b>	<b>(18.0)</b>
	<b>Expenditure Met from the Pooled Budget</b>	
7.9	Leicestershire County Council	9.0
12.4	Clinical Commissioning Groups	9.0
<b>20.3</b>	<b>Total</b>	<b>18.0</b>
<b>(1.5)</b>	<b>Net Position on the Pooled Budget</b>	<b>0.0</b>
<b>0.0</b>	<b>Surplus to the Authority</b>	<b>0.0</b>

**b) The Better Care Fund.**

On the 1st April 2018, the Authority's Adults and Communities Department entered into a mandatory pooled budget arrangement under Section 75 of the NHS Act 2006 with NHS West Leicestershire Clinical Commissioning Group and NHS East Leicestershire and Rutland Clinical Commissioning Group. The Better Care Fund enables local authorities and the NHS to jointly plan and deliver local health and social care services. Leicestershire County Council acts as the host to the arrangement but not all expenditure incurred by the pool is passed through the Authority's ledger. The following memorandum account shows gross expenditure of £60.3m (2018/19 £56.0m) and gross income of £60.3m (2018/19 £56.0m).

2018/19 £m		2019/20 £m
	<b>Funding Provided to the Pooled Budget</b>	
(16.1)	Leicestershire County Council	(21.1)
(39.9)	Clinical Commissioning Groups	(39.2)
<b>(56.0)</b>	<b>Total</b>	<b>(60.3)</b>
	<b>Expenditure Met from the Pooled Budget</b>	
16.1	Leicestershire County Council	21.1
39.9	Clinical Commissioning Groups	39.2
<b>56.0</b>	<b>Total</b>	<b>60.3</b>
<b>0.0</b>	<b>Net Position on the Pooled Budget</b>	<b>0.0</b>

## Notes to the Accounts

## Note 33: Senior Officers' Remuneration

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

Post holder Information (Post title)	Salary £000	Compensation for loss of office £000	Benefits in kind £000	Total Remuneration Excl Employers Pension Contribution £000	Employers Pension Contributions (N1) £000	Total Remuneration - including Employers Pension Contribution £000
<b>2019/20</b>						
Chief Executive - John Sinnott	203	0	2	205	0	205
Director of Adults & Communities	136	0	0	136	34	170
Director of Public Health	136	0	0	136	19	155
Director of Children & Family Services	127	0	0	127	32	159
Director of Corporate Resources - S151 Officer	127	0	0	127	32	159
Director of Environment & Transport	127	0	0	127	32	159
Director of Law and Governance	119	0	0	119	30	149
<b>Total</b>	<b>975</b>	<b>0</b>	<b>2</b>	<b>977</b>	<b>179</b>	<b>1,156</b>
<b>2018/19</b>						
Chief Executive - John Sinnott	199	0	6	205	0	205
Director of Adults & Communities	133	0	0	133	32	165
Director of Public Health	133	0	0	133	19	152
Director of Children & Family Services (N2)	61	0	0	61	15	76
Director of Corporate Resources - S151 Officer	120	0	0	120	29	149
Director of Environment & Transport	120	0	0	120	29	149
Director of Law and Governance	111	0	0	111	27	138
<b>Total</b>	<b>877</b>	<b>0</b>	<b>6</b>	<b>883</b>	<b>151</b>	<b>1,034</b>

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

N1 – Revised employer's pension contribution rates in 2019/20.

N2 - The new Director was appointed in September 2018, with an annualised salary of £120k.

An interim director was employed via an agency and left in September 2018.

## Notes to the Accounts

- 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.

2018/19		-	2019/20	
Including Severance	Excluding Severance		Including Severance	Excluding Severance
No. of Employees	No. of Employees		No. of Employees	No. of Employees
		Remuneration Band		
95	93	£50,000-£54,999	120	118
72	72	£55,000-£59,999	79	78
40	34	£60,000-£64,999	33	32
28	28	£65,000-£69,999	34	32
10	10	£70,000-£74,999	14	14
6	5	£75,000-£79,999	5	4
6	6	£80,000-£84,999	8	8
3	2	£85,000-£89,999	2	2
10	10	£90,000-£94,999	4	4
1	1	£95,000-£99,999	8	8
1	1	£100,000-£104,999	0	0
0	0	£105,000-£109,999	3	3
1	1	£115,000-£119,999	1	1
1	0	£125,000-£129,999	0	0
<b>274</b>	<b>263</b>	<b>Total</b>	<b>311</b>	<b>304</b>

Note: The numbers above include Leicestershire Maintained Schools

## Notes to the Accounts

- 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*	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19 £m	2019/20 £m
£0 - £20,000	48	1	24	28	72	29	0.4	0.1
£20,001 - £40,000	8	2	10	6	18	8	0.5	0.2
£40,001 - £60,000	5	2	2	2	7	4	0.3	0.2
£60,001 - £80,000	0	3	1	0	1	3	0.1	0.2
£80,001 - £100,000	0	0	3	2	3	2	0.3	0.2
£100,001 - £150,000	0	0	0	0	0	0	0.0	0
£150,001 - £200,000	0	1	0	0	0	1	0.0	0.2
<b>Total</b>	<b>61</b>	<b>9</b>	<b>40</b>	<b>38</b>	<b>101</b>	<b>47</b>	<b>1.6</b>	<b>1.1</b>

i) The above table includes accrued liabilities. See note 44 for further details

ii) The numbers of officers shown are the actual number, not full time equivalents.

### Note 34: Members' Allowances

Amounts were paid to members of the Authority as follows:

2018/19 £m		2019/20 £m
0.7	Basic Allowance	0.7
0.3	Special Responsibility Allowance	0.3
0.0	Other Expenses	0.0
<b>1.0</b>	<b>Total</b>	<b>1.0</b>

### Note 35: External Audit Costs

2018/19 £		2019/20 £
65,250	<b>Fees payable to external auditor:</b>	71,100
0	▪ Annual audit	0
0	▪ Certification of grant claims	5,000
0	▪ Certification of other returns	
<b>65,250</b>	<b>Total</b>	<b>76,100</b>

### Note 36: Dedicated Schools Grant

The Authority's expenditure on schools is funded by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School and Early Years Finance (England) Regulations 2018. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2019/20 are as follows:

2018/19			Schools Budget Funded by DSG	2019/20		
£m	£m	£m		£m	£m	£m
Central Exp	Individual Schools Budget	Total		Central Exp	Individual Schools Budget	Total
		(485.9)	Final DSG Before Academy Recoupment			(501.0)
		309.5	Academy Figure Recouped			328.0
		<b>(176.4)</b>	<b>Total DSG after Academy recoupment</b>			<b>(173.0)</b>
		(2.2)	Brought Forward from Previous Year			(1.7)
		0.0	Carry Forward Agreed in Advance			0.0
<b>(98.4)</b>	<b>(80.2)</b>	<b>(178.6)</b>	<b>Agreed Initial Budgeted Distribution</b>	(97.0)	(77.7)	(174.7)
(0.6)	0.2	(0.4)	In Year Adjustments	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
<b>(99.0)</b>	<b>(80.0)</b>	<b>(179.0)</b>	<b>Final Budgeted Distribution</b>	(97.0)	(77.7)	(174.7)
98.4	0.0	98.4	Actual Central Expenditure	<b>104.3</b>	<b>0.0</b>	<b>104.3</b>
0.0	78.9	78.9	Actual ISB Deployed to Schools	<b>0.0</b>	<b>74.5</b>	<b>74.5</b>
0.0	0.0	0.0	Local Authority Contribution	0.0	0.0	<b>0.0</b>
<b>(0.6)</b>	<b>(1.1)</b>	<b>(1.7)</b>	<b>Carry Forward</b>	<b>7.3</b>	<b>(3.2)</b>	<b>4.1</b>

## Note 37: Grant Income

a) 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

2018/19 £m		2019/20 £m
	<b>Revenue:</b>	
8.6	Revenue Support Grant (RSG)	0.0
0.0	Covid-19 Grant	15.1
3.6	New Homes Bonus Scheme Grant	3.7
1.5	Adult Social Care General Grant	4.1
0.5	Local Support Services Grant	0.0
14.2		22.9
	<b>Capital:</b>	
	<i>Department for Education:</i>	
9.2	Basic Need	0.0
7.4	Basic Need (advance)	0.0
2.5	Maintenance	0.5
0.7	Special Education Needs Capital Provision	2.2
	<i>Department for Transport:</i>	
11.4	Local Transport Plan - Maintenance	9.6
6.3	Maintenance one-off grant	0.0
2.7	Local Transport Plan – Integrated Transport Schemes	2.7
2.4	Maintenance Incentive Element	2.4
1.3	National Productivity Incentive Element	0.2
0.0	Major Road Network A511 Growth Corridor	1.3
0.0	M1 Junction 23 / A512 – Highways England	2.5
0.0	A46 Anstey Lane – Highways England	4.2
	<i>Department of Health</i>	
3.6	Disabled Facilities Grant	3.9
2.3	<i>Leicester and Leicestershire Enterprise Partnership</i>	6.5
2.3	<i>Section 106 Housing Developer Contributions</i>	5.4
4.4	<i>Other Capital Contributions (below £1m at 31 March 2019)</i>	2.6
56.5		44.0
<b>70.7</b>	<b>Total (Note 15 non ring-fenced government grants and capital grants and contributions)</b>	<b>66.9</b>



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

2018/19 £m		2019/20 £m
	<i>Children and Family Services – Education:</i>	
176.5	Dedicated Schools Grant	173.0
5.4	Pupil Premium Grant	5.1
3.2	Universal Infant Free School Meals	2.8
1.5	6th Form Funding	0.0
1.7	PE & Sports Grant	1.5
0.0	Teachers Pay Grant	3.2
0.0	Troubled Families Programme	1.4
1.2	Asylum Seekers	1.7
189.5		188.7
	<i>Adults and Communities – Dept of Health:</i>	
12.4	Improved Better Care Fund	16.7
4.3	Skills Funding Agency	4.4
2.4	Adult Social Care Winter Pressures	2.4
1.2	Independent living Fund	1.2
20.3		24.7
	<i>Public Health</i>	
24.9	Public Health Grant	24.2
	<i>Corporate Resources</i>	
1.4	Music Grant	1.4
15.1	Other income (below £1m at 31 March 2019)	9.0
<b>251.2</b>	<b>Total</b>	<b>248.0</b>

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

31 March 2019 £m	Short-Term Capital Grants Receipts in Advance:	31 March 2020 £m
0.0	Dept. for Education: Basic Need Grant	5.2
1.0	Dept. for Transport: National Productivity Incentive Fund	3.0
0.8	Dept. for Transport: Pothole Grant	0.0
0.7	Section 106 Housing Developer Contributions	1.7
0.7	Other Grants and Contributions	1.1
<b>3.2</b>	<b>Total</b>	<b>11.0</b>

31 March 2019 £m	Long-Term Capital Grants Receipts in Advance:	31 March 2020 £m
27.1	Section 106 Housing Developer Contributions	35.3
0.0	Other Grants and Contributions	0.0
<b>27.1</b>	<b>Total</b>	<b>35.3</b>

## Note 38: Related Parties

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

The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority.

### Central Government

Central Government has significant influence over the general operations of Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax).

Grants received from government departments are set out in the analysis in Note 37. Grant receipts outstanding at 31 March are also shown in Note 37.

### Members

Members of Leicestershire County Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2019/20 is shown in Note 34. During 2019/20, works and services to the total value of £0.1m (2018/19 £0.1m) were commissioned from companies, in which two members had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

Currently, the Authority has contracts with voluntary and community sector organisations to the value of £0.2m (2018/19, £0.2m), in which 11 members (2018/19, 9 members) have an interest. In addition, payments totalling less than £0.2m have been made during 2019/20 (2018/19, less than £0.1m) to organisations, in which 4 members had a position on the governing body (2018/19, 4 members). Payments totalling £0.3 have been made to organisations whose senior management includes members of the family of 1 member. In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the *Register of Members' Interest*, which is available for public inspection at [www.leicestershire.gov.uk](http://www.leicestershire.gov.uk)

### Officers

During 2019/20, works and services to the value of less than £0.1m were procured through the East Midlands Lawshare Framework (2018/19 less than £0.1m), in which one senior officer's family member had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

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

The Authority has three pooled budget arrangements with local health authorities for the supply of aids for daily living, the Better Care Fund, drugs and alcohol support and the provision of services for adults with learning difficulties. Transactions and balances are detailed in Note 32.

## Note 39: Interests in Other Consortia

### a) Eastern Shires Purchasing Organisation (ESPO)

The Authority is a member of the Eastern Shires Purchasing Organisation involved in the negotiation of contracts for supplies to its members and the provision of a central warehouse for the supply of items in common use. The Authority had an outstanding creditor balance of less than £0.1m (2018/19 £0.1m) and an outstanding debtor balance of £0.5m as at 31 March 2020 (2018/19 £0.3m). In 2005, the Authority entered into a 25 year borrowing arrangement of £12.5m on behalf of the constituent members of the consortium to finance the provision of a new warehouse and integrated offices. The loan outstanding as at 31 March 2020 is £5.3m (2018/19 £5.8m).

The Authority in effect owns approximately one sixth of ESPO assets and liabilities, which in 2018/19 were net liabilities of £0.5m. These are not included on the Authority's Balance Sheet. A copy of ESPO's statement of accounts is available from ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES. Details of the 2019/20 accounts are not yet available.

### b) Leicester, Leicestershire and Rutland Combined Fire Authority

The Authority is a constituent member of Leicester, Leicestershire and Rutland Combined Fire Authority. The Authority received £0.6m of income during 2019/20 from Leicester, Leicestershire and Rutland Combined Fire Authority (2018/19 £0.8m). The Authority had an outstanding debtor balance of less than £0.2m as at 31 March 2020 (2018/19 £0.1m). A copy of the Fire Authority statement of accounts is available from: Leicester, Leicestershire and Rutland Combined Fire Authority at 12 Geoff Monk Way, Birstall, Leicester, LE4 3HR.

### c) East Midlands Shared Services

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

Operations relating to EMSS are carried out at both LCC and NCC premises with LCC being the employing authority and NCC the host authority. In line with the partnership agreement the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of net costs for the Authority of 42.59%. EMSS does not separately own any assets or liabilities.

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

Total EMSS 2018/19 £m	Amounts Included in LCC CIES 2018/19 £m		Total EMSS 2019/20 £m	Amounts Included in LCC CIES 2019/20 £m
		<b>Income:</b>		
(1.5)	(1.5)	Direct external income - LCC	(1.5)	(1.5)
(0.6)	(0.0)	Direct external income – NCC	(0.5)	(0.5)
(0.0)	(2.7)	NCC share of net LCC direct costs	(0.0)	(2.6)
<b>(2.1)</b>	<b>(4.2)</b>	<b>Total Income</b>	<b>(2.0)</b>	<b>(4.6)</b>
		<b>Expenditure:</b>		
6.0	5.7	Direct costs incurred by LCC	5.6	5.4
0.2	0.0	Direct costs incurred by NCC	0.3	0.0
6.2	5.7	<b>Total Expenditure</b>	5.9	5.4
<b>4.1</b>	<b>1.5</b>	<b>Net Expenditure</b>	<b>3.9</b>	<b>0.8</b>

#### d) Leicestershire & Rutland Sports Partnership

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

2018/19	Income and Expenditure Category	Sport England	Local Authority	Other Public Sector Income	Non-public Income	2019/20
£m		£m	£m	£m	£m	£m
	<b>Income:</b>					
(1.9)	Revenue Grants	(0.8)	(1.3)	0.0	0.0	(2.1)
(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
(0.3)	Other Income	0.0	0.0	(0.4)	(0.1)	(0.5)
(0.1)	Enterprise & Innovation	0.0	0.0	0.0	0.0	0.0
<b>(2.3)</b>	<b>Total Income</b>	<b>(0.8)</b>	<b>(1.3)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(2.6)</b>
	<b>Expenditure:</b>					
0.9	Support costs	0.5	0.4	0.1	0.0	1.0
0.1	Overheads	0.0	0.1	0.0	0.0	0.1
0.8	Get Active	0.1	0.7	0.3	0.0	1.1
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	0.0	0.0	0.1
0.0	MarComms	0.0	0.0	0.0	0.0	0.0
0.1	Other Expenditure	0.0	0.1	0.0	0.0	0.1
0.0	Enterprise & Innovation	0.0	0.0	0.0	0.0	0.0
<b>2.1</b>	<b>Total Expenditure</b>	<b>0.7</b>	<b>1.4</b>	<b>0.4</b>	<b>0.0</b>	<b>2.5</b>
<b>(0.2)</b>	<b>Net</b>	<b>(0.1)</b>	<b>0.1</b>	<b>0.0</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>0.2</b>	<b>Earmarked Deferred project Expenditure</b>					<b>0.1</b>

#### d) Leicestershire County Council Pension Fund

Leicestershire County Council is the administering authority for the purposes of the Leicestershire County Council Pension Fund (the Fund) under the Local Government Pension Scheme (Administration) Regulations 2013. Recharges from the Authority to the Fund for Pension scheme administration, and oversight and governance, totalled £2.7m (£2.2m 2018/19). The majority of transactions for the Fund are processed by the Authority and are recovered from the Fund. At 31 March 2020 the Authority had a debtor with the fund of £3.1m (31 March 2019, debtor £3.6m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 33 and 34.

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.

issues. The joint committee provides assistance, guidance and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The joint committee does not have delegated authority to make binding decisions on behalf of the participating councils.

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

#### **f) Leicester and Leicestershire Business Rates Pool**

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

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

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

Authorities are invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity.

The Authority, Leicester City Council, the Combined Fire Authority and all the Leicestershire District Councils have agreed to operate a pooling agreement for business rates levies and safety net payments, the Leicester and Leicestershire Pool (LLP). The Authority is the lead authority for the LLP.

A summary of the position for 2019/20 is shown below which shows an overall surplus on the Pool of £10.6m.

## Notes to the Accounts

2019/20	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	2.2	16.5	20.1	1.8	0.0
Charnwood	4.2	19.3	22.4	1.5	0.0
Harborough	1.7	15.2	18.9	1.9	0.0
Hinckley & Bosworth	2.6	12.0	15.2	1.6	0.0
Melton	1.3	5.6	6.8	0.6	0.0
NW Leicestershire	2.4	20.3	26.2	2.9	0.0
Oadby & Wigston	1.5	5.2	5.8	0.3	0.0
<b>Total</b>	<b>15.9</b>	<b>94.1</b>	<b>115.4</b>	<b>10.6</b>	<b>0.0</b>
<b>2019/20 Net Gain</b>					<b>10.6</b>
<b>Net Gain b/f</b>					<b>10.6</b>
<b>Less payment made to the LLEP during 2019/20</b>					<b>(8.6)</b>
<b>Total 31 March 2020</b>					<b>12.6</b>

2018/19	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	2.1	16.1	19.3	1.6	0.0
Charnwood	4.1	18.9	19.7	0.4	0.0
Harborough	1.7	14.8	19.7	2.4	0.0
Hinckley & Bosworth	2.5	11.8	14.0	1.1	0.0
Melton	1.3	5.4	6.3	0.4	0.0
NW Leicestershire	2.3	19.8	25.0	2.6	0.0
Oadby & Wigston	1.5	5.1	5.3	0.1	0.0
<b>Total</b>	<b>15.5</b>	<b>91.9</b>	<b>109.3</b>	<b>8.6</b>	<b>0.0</b>
<b>2018/19 Net Gain</b>					<b>8.6</b>
<b>Net Gain b/f</b>					<b>8.1</b>
<b>Less payment made to the LLEP during 2018/19</b>					<b>(6.1)</b>
<b>Total 31 March 2019</b>					<b>10.6</b>

The total of £12.6m held as at 31 March 2020 comprises a £2.0m contingency towards future Pools, with the balance of £10.6m for investment in the wider Leicestershire area and is shown as a creditor in the Authority's accounts (£8.6m was transferred to the Leicester and Leicestershire Economic Partnership (LLEP) during 2019/20). The contingency is shown in the Authority's accounts as a receipt in advance; £1.4m held on behalf of the Pool members and the balance of £0.6m, the Authority's share, is held as part of the Business Rates Retention Reserve.

#### g) Leicester and Leicestershire Business Rates 75% Pilot 2019/20

In 2019/20 the Authority, Leicester City Council, the Combined Fire Authority and all the Leicestershire District Councils were part of a 75% Business Rates Retention Pilot. The provisional estimated additional amount of business rates income to be retained between the partners is £17.1m.

#### h) Concessionary Travel Fares Scheme

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

## Notes to the Accounts

2018/19 £m		2019/20 £m
(9.1)	Income	(9.2)
14.1	Expenditure	14.2
<b>5.0</b>	<b>Net Cost</b>	<b>5.0</b>

## Note 40: Capital Expenditure and Capital Financing

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

2018/19 £m		2019/20 £m
<b>256.9</b>	Opening Capital Financing Requirement	<b>246.5</b>
	<b>Capital Investment:</b>	
71.8	Property, Plant and Equipment	98.1
1.5	Intangible Assets	2.1
13.4	Revenue Expenditure Funded from Capital under Statute	14.1
2.5	Long Term Investments (N1)	2.5
	<b>Sources of Finance:</b>	
(5.0)	Capital Receipts	(5.7)
(58.3)	Government grants and other contributions	(60.1)
(25.9)	Direct revenue contributions	(51.0)
(10.4)	Statutory Minimum Revenue Provision (N2)	(10.0)
<b>246.5</b>	<b>Closing Capital Financing Requirement</b>	<b>236.5</b>
	<b>Explanation of Movements in Year</b>	
	Increase in underlying need to borrow:	
0.0	Supported by government financial assistance	0.0
0.0	Unsupported by government financial assistance	0.0

(N1) During 2019/20 the County Council purchased £2.5m of Pooled Property Investments to generate ongoing revenue savings. The total held is £25.0m as at 31 March 2020.

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

## Note 41: Leases

### a) Amounts Paid to Lessors

Finance lease rentals paid to lessors in the year totalled £0.3m (2018/19 £0.3m). Lease rentals paid to lessors during the year in respect of operating leases for vehicles and equipment totalled £1.2m (2018/19 £1.2m).

### b) Amounts Received from Lessees

Lease rentals on Authority owned buildings received from lessees during the year in respect of operating leases totalled £1.9m (2018/19 £1.5m). Expected Lease rentals projected to be received in 2020/21 is £2.1. During 2019/20 5 schools transferred to Academy Status resulting in the net book value of the schools, £2.8m being written out of the Authority's Balance Sheet as these have been transferred on 125 year finance lease terms (2018/19 9 schools, £6.4m). No consideration is received by the Authority for these finance leases.

### c) Leased Assets

The Authority has a liability to make payments for the following leases during 2019/20 and beyond:

2018/19				2019/20				
Finance Lease Principal (NPV) £m	Finance Cost £m	Finance Leases Total £m	Operating Leases £m		Finance Lease Principal (NPV) £m	Finance Cost £m	Finance Leases Total £m	Operating Leases £m
0.1	0.2	0.3	0.5	<b>Lease Payments due:</b>	0.1	0.2	0.3	0.3
0.3	0.8	1.1	0.6	Within 1 year	0.3	0.8	1.1	0.5
0.9	3.2	4.1	0.0	2 to 5 years	0.8	2.9	3.7	0.0
				Over 5 years				
<b>1.3</b>	<b>4.2</b>	<b>5.5</b>	<b>1.1</b>	<b>Total</b>	<b>1.2</b>	<b>3.9</b>	<b>5.1</b>	<b>0.8</b>

Finance Leased Assets have a carrying value within Land and Buildings within Property, Plant and Equipment of £0.9m as at 31 March 2020 (31 March 2019 £0.9m).

## Note 42: Impairment Losses

During 2019/20, the Authority has not recognised any impairment losses (2018/19 nil). However, revaluations downwards of £46.2m have been recognised in the Revaluation Reserve and revaluations downwards of £10.8m have been recognised in the Comprehensive Income and Expenditure Statement. There have also been reversal of historical downwards revaluations of £3m in the Comprehensive Income and Expenditure Statement.

## Note 43: Termination Benefits

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



termination benefits for 2019/20 are £1.1mm (2018/19 £1.6m).

#### Note 44: Contingent Liabilities

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

The latest financial information for MMI, as disclosed in their management accounts for the half year to 31 December 2018 shows a balanced position. As a result, the scheme administrators do not intend to request any additional contributions. However, it should be noted that there is a contingent liability for any additional deficit due to the uncertainty of the value of incurred but not reported (IBNR) claims. A reserve has been established to reduce the risk to the Authority of any further liabilities under the MMI scheme of arrangement and in respect of any other uninsured losses.

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

#### Note 45: Nature and Extent of Risks Arising from Financial Instruments

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

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

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

##### (i) Credit risk

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

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

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

Customers are not assessed for credit risk other than for tenancy agreements and major contracts.

## Notes to the Accounts

The matrix in respect of money market loans made by the Authority are detailed below:

### Matrix for UK Banks and Building Societies

Maximum Sum Outstanding	£50m	£30m	£20m
Maximum Loan Period	1 year	1 year	6 months
General Description	'Special Instructions' (i.e. significant element of UK-Government ownership) and included in Link list for period of 1 year or more	Not 'special instructions' and included in Link list for period of 1 year or more	Included in Link list for period of 6 months

### Matrix for Overseas Banks

Maximum Sum Outstanding	£15m	£10m
Maximum Loan Period	1 year	6 months
Minimum Fitch Ratings	Included in Link list for period of 1 year or more	Included in Link list for period of 6 months

A maximum of £30m can be invested with all banks domiciled within a single country (note: there is no limit for total lending to UK financial institutions)

### Other UK Local Authorities

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

### Money Market Funds

AAA-rated only

Maximum amount in any single fund = £25m

Maximum amount in all Money Market Funds = £125m

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

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

### Exposure to Credit Risk

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies is 100% of its investments, but this cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2020 that this was likely to crystallise.

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

## Notes to the Accounts

	Amount at 31 <sup>st</sup> March 2019	Historical experience of default	Historical experience adjusted for market conditions at 31 March 20 %	Estimated maximum exposure to default and un- collectability	Amount at 31 <sup>st</sup> March 2020
	£m	%	%	£m	£m
Deposits with banks and financial institutions	218.5	0.0	0.0	0.0	185.8
Sales ledger	23.6	0.2	0.0	0.0	27.8
<b>Total</b>	<b>242.1</b>	<b>0.2</b>	<b>0.0</b>	<b>0.0</b>	<b>213.6</b>

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:

2018/19 £m		2019/20 £m
16.9	Less than three months	18.3
1.5	Three to six months	2.1
2.2	Six months to one year	3.2
3.0	More than one year	4.2
<b>23.6</b>	<b>Total</b>	<b>27.8</b>

In respect of the above sales ledger debt, the Authority has made a provision of £2.8m 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:

## Notes to the Accounts

31 March 2019		31 March 2020
£m		£m
	<b>Analysis of Loan Maturity Profile:</b>	
3.7	Less than 1 year	3.7
3.7	<b>Total Short Term Loans by Maturity</b>	3.7
1.0	Between 1 and 2 years	1.0
1.7	Between 2 and 5 years	6.4
7.5	Between 5 and 10 years	2.5
0.6	Between 10 and 15 years	0.3
0.3	Between 15 and 20 years	0.4
6.7	Between 20 and 25 years	13.1
48.6	Between 25 and 30 years	48.1
96.8	Between 30 and 35 years	110.8
49.6	Between 35 and 40 years	29.6
0.1	Between 40 and 45 years	10.1
53.6	Greater than 45 years	43.5
266.5	<b>Total Long Term Loans by Maturity</b>	265.7
270.2	<b>Total Loans by Maturity</b>	269.4

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 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	2.9
Increase in government grant receivable for financing costs	0.0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>2.9</b>
Decrease in fair value of fixed rate investment assets	(23.2)
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>(23.2)</b>
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)	(81.8)

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

### Price risk

The Authority does not hold any equity shares, thus there is no price risk to the Authority.

### Foreign exchange risk

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

## Note 46: Self-Insurance

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

	Deductible per Claim
	£
Fire	500,000
Public/Employers' liability	375,000
Fidelity guarantee	100,000
Motor	1,250

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

## Note 47: Trust Funds (Excluded from the Balance Sheet)

The Authority acts as trustee and/or administrator for approximately 20 prize funds, endowments, scholarships and bequests. The original bequests are invested in either the Authority's trust fund pooling scheme or in a range of other direct external investments.

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

To the extent that income from these investments has not been utilised for prizes etc., the surplus funds are invested in short term deposits with various financial institutions. Under regulations issued through the Charities Act 2011, trust fund accounts where annual income exceeds £10,000, require an independent examination. The main trust funds are as follows:

	Balance at 31 March 2019 £m	Income £m	Expenditure £m	Balance at 31 March 2020 £m
<b>Trust Funds:</b>				
Kibworth High School Endowment	0.3	0.0	0.0	0.3
Bradgate Park & Swithland Wood Charity *	0.9	1.6	1.6	0.9
Others	0.3	0.0	0.0	0.3
<b>Total Trust Funds</b>	<b>1.5</b>	<b>1.6</b>	<b>1.6</b>	<b>1.5</b>

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

## Note 48: Accounting Policies

### 1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2019/20 financial year and its position at the year-end of 31 March 2020. 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 2019/20 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government 2003 Act.

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

### 2. Provisions

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

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

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

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

### 3. Reserves

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

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

The reserves operated by the Authority are explained further:

#### a) Revenue

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

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

#### b) Capital

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

##### Revaluation Reserve

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

##### Capital Adjustment Account

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

##### Deferred Capital Receipts Reserve

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

##### Capital Receipts Reserve and Capital Grants Unapplied

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

### c) Other

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

#### **Financial Instruments Adjustment Account**

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

#### **Pensions Reserve**

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

#### **Short-Term Accumulating Compensated Absences Adjustment Account**

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

## 4. Cash and Cash Equivalents

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

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

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

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



## 6. Non- Current Assets

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

Recognition:

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

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

Some categories of Non-Current Assets are revalued on the basis recommended by the COPLAA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

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

- **Intangible Assets**

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

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

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

Valuation is carried out on a selective on-going basis such that all assets are revalued at least once every five years, and on completion of a capital scheme above £100,000. In addition, the top twenty valued assets are valued each year. The valuation is carried out by qualified Chartered Surveyors, who are also Registered Valuers, from the Commissioning Estates service within the Corporate Resources Department. Asset lives have been reviewed and standardised over the last two years and have been updated within the Asset Register. Assets Held for Sale are revalued within the year to ensure the open market value is accurate.

The current asset values used in the accounts are based on a certificate issued by the Authority's Strategic Property Manager as of 1 October 2029. Additions since that date are included in the accounts at their cost of acquisition. The addition is then reviewed, and if the actual capital expenditure does not increase the asset valuation or if the expenditure is less than the Authority's £100,000 capital de-minimus level then this value will be recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing value.

- **Vehicles, Plant, Furniture and Equipment;** valuation is based on depreciated historical cost for all assets with an original cost in excess of £20,000, with the exception of Leicestershire Highways who occasionally capitalise assets under £20,000. Additions below these de-minimus levels are recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing in value.
- **Infrastructure Assets** are valued on the basis of depreciated historical cost.
- **Community Assets** are assets that the Authority is likely to keep in perpetuity for the benefit of local people, e.g. country parks and reclaimed land. Such assets are valued at nominal values for assets acquired prior to 1994 and historical cost thereafter.
- **Assets Under Construction** are based on actual payments made to date.
- **School Buildings** are held at current value but because of their specialist nature are measured at depreciated replacement cost.
- **Surplus Assets** are surplus to service requirements. The current value measurement base is fair value, estimated at highest and best use from the market participant's perspective.
- **Assets Held for Sale** are assets that are actively being marketed for sale, the asset sale is highly probable, and the sale is expected within 12 months. An asset is classed as held for sale when the carrying value will be principally recovered through a sale transaction rather than through its continuing use. The asset is revalued immediately on an open market basis and any loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

#### Componentisation

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

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

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

#### Revaluation of Assets

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

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

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

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

### Impairment of Assets

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

Where impairment losses are identified, they are accounted for by:

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

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

## 7. Heritage Assets

The Authority's Heritage Assets are held in the Authority's museums and other cultural sites. Heritage Assets are categorised into 5 collections, which are held primarily to increase the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The Authority's collections of Heritage Assets are as follows;

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

### Heritage Assets – General

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

## 8. Leases

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

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

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

#### Authority as a Lessee:

##### Finance Leases:

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

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

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

##### Operating Leases:

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

#### The Authority as Lessor:

##### Finance Leases:

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

##### Operating Leases:

Where the Authority grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement.

## 9. Revenue Expenditure Funded From Capital Under Statute

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

## 10. Charges to Revenue for Non-current Assets

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

### a) Depreciation

Depreciation is provided on all property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. Buildings are depreciated over their remaining useful economic lives as assessed by the property valuer, with no allowance for a residual value. No depreciation charge is made for the land, community assets, assets under construction or assets held for sale.

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

- **Buildings** - varies from asset to asset (the remaining useful economic life of each asset is reviewed at the same time as the revaluation is completed, new builds are usually estimated to have a useful life of 70 years).
- **Infrastructure** - 40 years.
- **Vehicles, Plant, Furniture and Equipment** - estimated useful life (averaging around 5 years).
- **Components** - will vary between 20 – 50 years for new components/blocks
- **Assets Held for Sale** – Depreciation is not charged on Assets Held for Sale.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately.

No depreciation is charged in the year of acquisition, whereas a full year's depreciation is charged in the year of disposal.

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

#### **b) Revaluation and Impairment**

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

#### **c) Amortisation**

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

## **11. Capital Receipts**

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

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

## 12. Accruals of Income and Expenditure

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

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

## 13. Government Grants

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

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

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

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

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

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

## 14. Inventories and Long-Term Contracts

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

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

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

## 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 of 3.4%.

The assets of the fund attributable to the Authority are included in the Balance Sheet at fair value:

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

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

- **Service Cost comprising:**
  - **Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
  - **Past service cost** - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years- debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
  - **Net interest on the net defined benefit liability (asset)** - e.g. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.
- **Remeasurements comprising:**
  - **The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
  - **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.

- **Contributions paid to the Pension Fund** - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

#### ▪ **Discretionary Benefits**

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

### **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. Accounting for the Costs of the Carbon Reduction Commitment Scheme

The Authority is required to participate in the Carbon Reduction Commitment Energy Efficiency Scheme. This scheme ended on 31 March 2020. The Authority is required to purchase allowances, either prospectively or retrospectively, and surrender them on the basis of emissions, i.e. carbon dioxide produced as energy is used. As carbon dioxide is emitted (i.e. as energy is used) a liability and an expense are recognised. The liability will be discharged by surrendering allowances. The liability is measured at the best estimate of the expenditure required to meet the obligation, normally at the current market price of the number of allowances required to meet the liability at the reporting date. The cost to the Authority is recognised and reported in the costs of the Authority's services and is apportioned to service areas on the basis of energy consumption.

## 23. 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.

## 24. 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.

## 25. 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.

## 26. Fair Value Measurement

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

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

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

generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

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

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

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

**Level 3** - unobservable inputs for the asset or liability.

## Statement of Responsibilities for the Statement of Accounts

### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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

### MR. J.B. RHODES

#### CABINET LEAD MEMBER FOR CORPORATE RESOURCES

### 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 2020.

### C TAMBINI

#### DIRECTOR OF CORPORATE RESOURCES

27 NOVEMBER 2020

## Pension Fund

(Registration number: 00328856RQ)

### Introduction

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

### General

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

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

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

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

### Membership

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

Organisations participating in the fund include the following:

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

## Pension Fund Accounts

Membership details are set out below:

	31-Mar-19	31-Mar-20
<b>Number of employers</b>	263	268
<b>Number of employees in the scheme (Actives)</b>		
County Council	7,875	8,488
Other employers	26,537	27,291
<b>Total</b>	<b>34,412</b>	<b>35,779</b>
<b>Number of pensioners</b>		
County Council	11,177	11,399
Other employers	16,796	17,637
<b>Total</b>	<b>27,973</b>	<b>29,036</b>
<b>Deferred pensioners</b>		
County Council	12,423	12,377
Other employers	24,183	24,997
<b>Total</b>	<b>36,606</b>	<b>37,374</b>
<b>Total number of members in the pension scheme</b>	<b>98,991</b>	<b>102,189</b>

### 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 2020. Employers contributions are set based on triennial actuarial funding valuations. In 2019/20 the average employer rate was 24.5% of pay (23.8% 2018/19).

### 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 1/49<sup>th</sup>. 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 2020

RESTATEMENT			
2018/19 £m		Notes	2019/20 £m
	<b>Contributions</b>		
(149.5)	Employer Contributions	6	(167.9)
(39.9)	Member Contributions	6	(42.7)
(10.3)	Transfers in from Other Pension Funds	7	(12.3)
<b>(199.7)</b>	<b>Total Contributions</b>		<b>(222.9)</b>
	<b>Benefits</b>		
121.6	Pensions	8	127.8
35.7	Commutation of Pensions and Lump Sum Retirement Benefits	8	32.9
4.6	Lump Sum Death Benefits		3.1
11.9	Payments to and on Account of Leavers	9	15.0
<b>173.8</b>	<b>Total Benefits</b>		<b>178.8</b>
<b>(25.9)</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>(44.1)</b>
36.0	Management Expenses	10	40.1
<b>10.1</b>	<b>Net (Additions)/Withdrawals Including Fund Management Expenses</b>		<b>(4.0)</b>
	<b>Returns on investments</b>		
(36.8)	Investment income	11	(35.8)
(202.0)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	196.6
<b>(238.8)</b>	<b>Net Returns on Investments (Sub Total)</b>		<b>160.8</b>
<b>(228.7)</b>	<b>Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year</b>		<b>156.8</b>
(4,083.3)	Net assets of the scheme Opening		(4,312.0)
<b>(4,312.0)</b>	<b>Net assets of the scheme Closing</b>		<b>(4,155.2)</b>

## Net Assets Statement as at 31 March 2020

2018/19 £m		Notes	2019/20 £m
4,361.2	Investment assets	12	4,152.7
(54.0)	Investment liabilities	12	(5.8)
<b>4,307.2</b>			<b>4,146.9</b>
10.6	Current Assets	15	12.7
(5.8)	Current Liabilities	15	(4.4)
<b>4,312.0</b>	<b>Net Assets of the Fund at 31 March</b>		<b>4,155.2</b>

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 89 to 112 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 2019/20 financial year and its position as at 31 March 2020. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 (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 2019/20.

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

The Accounts have been prepared on a going concern basis.

### 2. Accounting policies

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

#### Fund Account – Revenue Recognition

##### *a) Contribution Income*

Normal contributions are accounted for on an 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.

##### *b) Transfers to and from other Schemes*

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in

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## Pension Fund Accounts

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Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

### *c) Investments*

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

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

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

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

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

### Fund Account – Expense Items

#### *d) Benefits Payable*

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

#### *e) Taxation*

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

#### *f) Management Expenses*

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

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

#### *g) Investments*

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

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

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

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

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

#### *h) Foreign currencies*

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

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

#### *i) Cash and Cash Equivalents*

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

#### *j) Financial Assets*

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

#### *k) Financial Liabilities*

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

#### l) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under the Code, the fund has opted to disclose the actuarial present value of promised retirement benefits by appending a copy of the report to the Pension Fund Accounts.

#### m) Additional Voluntary Contributions

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

#### n) Contingent Assets and Contingent Liabilities

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

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

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

### 3. Critical Judgements in Applying Accounting Policies

#### Pension Fund Liability

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

#### Investment in LGPS Central Asset Pool

This investment has been valued at cost on the basis that fair value as at 31 March 2020 cannot be reliably estimated. Management have made this judgement because; a) the Pool only became licensed to trade in February 2018, b) no dividends to shareholders has yet been declared, and c) no published trading results are yet available.

#### Directly Held Property

The fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS7 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Actuarial Present Value of Promised Retirement Benefits	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, salary increases, changes in retirement ages, mortality rates and returns on fund assets. A firm of consulting actuaries is engaged to provide the fund with expert advice about the assumptions to be applied.	For instance: <ul style="list-style-type: none"> <li>• A 0.5% decrease in the discount rate used would result in an increase in the pension liability of £632m</li> <li>• A 0.5% increase in the pension increase rate would increase the pension liability by £562m</li> <li>• A one year increase in assumed life expectancy would increase the liability by between £211m and £352m.</li> </ul>
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 £249m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 28%, an increase or decrease of £70m.
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. <b><i>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement. Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation.</i></b>	Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments by up to 15%, i.e. an increase or decrease of £57m on the carrying value of £379m.
Private Debt Investments	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.	Private Debt funds are valued at £277.5m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 10%, an increase or decrease of £27.8m

## Pension Fund Accounts

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 £287.2m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 14%, an increase or decrease of £40.2m
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £143.9m in the financial statements. There is a risk that this investment may be under or overstated in the accounts by up to 16%, an increase or decrease of £23m

### 5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 27 November 2020. 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 2020, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known).

The financial statements and notes have not been adjusted for the following events which took place after 31 March 2020 as they provide information that is relevant to an understanding of the fund's financial position, but do not relate to conditions at that date:

The outbreak of Covid-19 has impacted global economies. The full impact of this on the fund's investments are not yet known. Although a substantial proportion of the fund's investments are in liquid assets (listed equities for example) there are a proportion of assets (Private equity, Property etc.) where the full impact of the epidemic will take time to filter through. Stock markets had a substantial fall in the last week of March 2020 and therefore the impact of this is reflected in the fund's investment values.

### 6. Contributions

2018/19 £m		2019/20 £m
	<b>Employers</b>	
143.1	Normal	160.0
3.7	Deficit Repair	4.6
0.1	Voluntary additional	0.0
1.8	Advanced payments for early retirements	2.4
0.8	Additional payments for ill-health retirements	0.9
	<b>Members</b>	
39.5	Normal	42.3
0.4	Purchase of additional benefits	0.4
<b>189.4</b>	<b>Total</b>	<b>210.6</b>

## Pension Fund Accounts

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:

2018/20 £m		2019/20 £m
44.4	Leicestershire County Council	50.1
136.2	Scheduled bodies	150.1
8.8	Admitted bodies	10.4
<b>189.4</b>	<b>Total</b>	<b>210.6</b>

### 7. Transfers In

2018/19 £m		2019/20 £m
10.3	Individual transfers in from other schemes	12.3
<b>10.3</b>	<b>Total</b>	<b>12.3</b>

### 8. Benefits

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

2018/19 £m		2019/20 £m
57.3	Leicestershire County Council	57.2
96.4	Scheduled bodies	98.5
8.2	Admitted bodies	8.1
<b>161.9</b>	<b>Total</b>	<b>163.8</b>



## Pension Fund Accounts

## 9. Payments to and on Account of Leavers

2018/19 £m		2019/20 £m
0.9	Refunds to members leaving the scheme	0.3
11.0	Individual transfers to other schemes	14.7
<b>11.9</b>	<b>Total</b>	<b>15.0</b>

## 10. Management Expenses

RESTATEMENT

2018/19 £m		2019/20 £m
33.8	Investment Management Expenses (Note 10A)	37.4
1.8	Pension Scheme Administration Costs	2.0
0.4	Oversight and Governance Expenses	0.7
<b>36.0</b>	<b>Total</b>	<b>40.1</b>

## 10A. Investment Management Expenses

2018/19 £m		2019/20 £m
23.7	Management Expenses	24.6
6.9	Transaction Costs	12.1
3.2	Performance Related Fees	0.7
<b>33.8</b>	<b>Total</b>	<b>37.4</b>

## 11. Investment Income

2018/19 £m		2019/20 £m
2.4	Dividends from equities	1.8
0.2	Income from Government Bonds	0.1
2.2	Income from index-linked securities	2.0
24.4	Income from pooled investment vehicles	24.8
7.0	Net rents from properties	6.7
0.5	Interest on cash or cash equivalents	0.6
0.1	Net Currency Profit / (Loss)	(0.2)
<b>36.8</b>	<b>Total</b>	<b>35.8</b>

## Pension Fund Accounts

## 12. Investments

	Value at 1 April 2019	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change In Market Value	Value at 31 March 2020
	£m	£m	£m	£m	£m
Equities	82.4	53.6	(94.3)	(7.9)	33.8
Government Bonds	28.9	74.1	(104.3)	2.0	0.7
Index-linked securities	391.2	404.5	(465.1)	9.3	339.9
Pooled investment vehicles	3,575.0	509.6	(419.6)	(137.6)	3,527.4
Properties	102.6	0.2	0.0	(3.2)	99.6
Derivatives contracts	(4.0)	122.0	(1.8)	(59.2)	57.0
Cash and currency & other investment balances	131.1	0.0	(42.6)	0.0	88.5
<b>Total</b>	<b>4,307.2</b>	<b>1,164.0</b>	<b>(1,127.7)</b>	<b>(196.6)</b>	<b>4,146.9</b>

	Value at 1 April 2018	Purchases at Cost and Derivative Payments	Sales Proceeds and Derivative Receipts	Change In Market Value	Value at 31 March 2019
	£m	£m	£m	£m	£m
Equities	80.3	57.4	(58.7)	3.4	82.4
Government Bonds	0.7	28.2	(0.0)	0.0	28.9
Index-linked securities	384.2	586.0	(602.4)	23.4	391.2
Pooled investment vehicles	3,332.0	631.9	(622.5)	233.6	3,575.0
Properties	102.1	0.0	(0.0)	0.5	102.6
Derivatives contracts	14.9	40.0	(0.0)	(58.9)	(4.0)
Cash and currency and other investment balances	160.7		(28.5)		131.1
<b>Total</b>	<b>4,074.9</b>	<b>1,343.5</b>	<b>(1,283.6)</b>	<b>202.0</b>	<b>4,307.2</b>

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:

2018/19 £m		2019/20 £m
313.1	LGPS Central - Global Equity Active Multi Manager Fund	307.3
267.8	Legal and General North America Index Fund	231.3
264.3	Legal and General FTSE RAFI North America Fund	230.2
<b>845.2</b>	<b>Total</b>	<b>768.8</b>

## Pension Fund Accounts

2018/19 £m		2019/20 £m
	<b>Equities</b>	
21.5	UK quoted	14.4
1.3	UK unquoted	1.3
59.6	Overseas quoted	18.1
<b>82.4</b>		<b>33.8</b>
	<b>Government Bonds</b>	
0.7	UK Government Unquoted	0.0
5.8	UK Government Quoted	0.0
22.4	Overseas Quoted	0.0
<b>28.9</b>		<b>0.0</b>
	<b>Corporate Bonds</b>	
0.7	UK unquoted	0.7
<b>0.7</b>		<b>0.7</b>
	<b>Index Linked Securities</b>	
358.0	UK quoted	299.9
33.2	Overseas quoted	40.0
<b>391.2</b>		<b>339.9</b>
	<b>Pooled investment vehicles (unquoted)</b>	
283.0	Property funds	279.0
210.3	Private equity	248.5
520.7	Bond and debt funds	560.9
0.2	Hedge funds	0.2
1,909.4	Equity-based funds	1,694.0
15.4	Commodity-based funds	16.0
132.5	Timberland fund	143.9
129.4	Managed futures fund	145.9
147.7	Targeted return fund	151.8
226.4	Infrastructure fund	287.2
<b>3,575.0</b>		<b>3,527.4</b>
	<b>Properties</b>	
<b>102.6</b>	<b>UK (Note 14)</b>	<b>99.6</b>
<b>129.1</b>	<b>Cash and currency</b>	<b>86.5</b>
	<b>Derivatives contracts</b>	
47.1	Forward foreign exchange assets	53.7
1.4	Currency option assets	0.0
1.5	Other option assets	9.2
(54.0)	Forward foreign exchange liabilities	(5.9)
0.0	Currency option liabilities	0.0
<b>(4.0)</b>	<b>Sterling Denominated</b>	<b>57.0</b>
<b>2.0</b>	<b>Other Investment Balances</b>	<b>2.0</b>
<b>4,307.2</b>	<b>Total Investments</b>	<b>4,146.9</b>

At 31 March 2020 pooled investment vehicles include investments in fund-of-funds which have an underlying value of £247.4m in private equity, £24.6m in illiquid corporate bonds and £143.9m in timberland.

### 13. Derivatives

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

#### Forward Foreign Exchange Contracts

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

2018/19 £m		2019/20 £m
(0.7)	Active currency positions (those whose purpose is solely to seek economic gain)	0.0
(6.2)	Passive currency positions (those whose purpose is to hedge the Fund's benchmark exposure to currencies back to sterling)	47.8
<b>(6.9)</b>	<b>Total</b>	<b>47.8</b>

#### Options

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

2018/19 £m		2019/20 £m
1.4	Currency-based	0.0
1.5	Equity rate-based	9.2
<b>2.8</b>	<b>Total</b>	<b>9.2</b>

### 14. Property Investments

31 March 2019 £m		31 March 2020 £m
72.9	Freehold	71.3
16.2	Long Leasehold (over 50 years unexpired)	15.9
13.5	Medium/Short Leasehold (under 50 years unexpired)	12.4
<b>102.6</b>	<b>Total</b>	<b>99.6</b>

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK at 31st March 2020. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All valuers are Members of the Royal Institute of Chartered Surveyors.

**14A Property Holdings**

31 March 2019		31 March 2020	
£m		£m	
102.1	Opening Balance	102.6	
	Additions:		
0.0	Purchases	0.0	
0.0	Subsequent Expenditure	0.2	
0.0	Disposals	0.0	
0.5	Net increase in market Value	(3.2)	
102.6	<b>Total</b>	99.6	

**15. Current Assets and Liabilities**

2018/19		2019/20		
£m		£m		
8.7	Contributions due from employers	9.9		Contributions due at the year end were received by the due date.
1.2	Other Debtors	2.4		
0.7	Due from Ministry of Justice	0.4		
10.6	<b>Current assets</b>	12.7		
(3.6)	Due to Leicestershire County Council	(3.1)		The amount due from the Ministry of
(1.2)	Fund Management Fees Outstanding	(1.1)		
(1.0)	Other Creditors	(0.2)		
(5.8)	<b>Current liabilities</b>	(4.4)		
4.8	<b>Net current assets and liabilities</b>	8.3		

Justice relates to the actuarially assessed deficit in respect of Magistrates' Court staff that were formerly in the LGPS. The amount is payable over 10 years at £365,000 per annum, and at 31<sup>st</sup> March 2020 there was one more payments

**16. Analysis of Investments by Manager**

The Fund employs external investment managers to manage all of its investments apart from an amount of cash and a farm property, which are managed by Leicestershire County Council. This structure ensures that the total Fund performance is not overly influenced by the performance of any one manager.

The market value of investments in the hands of each manager is shown in the table below:-

## Pension Fund Accounts

At 31 March 2019			At 31 March 2020	
£m	%		£m	%
<b>Investments managed by LGPS central Pool</b>				
Global equities multi-manager fund:				
117.7	2.7	<i>Harris</i>	98.8	2.4
103.5	2.4	<i>Schroders</i>	101.2	2.4
112.0	2.6	<i>Union</i>	107.3	2.6
Emerging market equities multi-manager fund:				
0.0	0.0	<i>BMO</i>	48.6	1.2
0.0	0.0	<i>UBS</i>	49.9	1.2
0.0	0.0	<i>Vontobel</i>	53.7	1.3
0.0	0.0	LGPS Central PE Primary Partnership 2018 LP	0.8	0.0
<b>333.2</b>	<b>7.7</b>	<b>Sub Total</b>	<b>460.3</b>	<b>11.1</b>
<b>Investments Managed outside of pool</b>				
1,375.6	31.9	Legal & General	1,219.8	29.4
438.6	10.2	Kames Capital	421.9	10.2
245.4	5.7	Partners Group	277.5	6.7
196.0	4.6	Adams Street Partners	225.0	5.4
202.3	4.7	LaSalle	201.8	4.9
254.2	5.9	Ruffer LLP	166.8	4.0
147.7	3.4	Pictet Asset Management	151.8	3.7
129.4	3.0	Aspect Capital	145.9	3.5
132.5	3.1	Stafford Timberland	143.9	3.5
129.9	3.0	Colliers Capital UK	126.0	3.0
120.4	2.8	JP Morgan Asset Management	118.5	2.9
73.9	1.7	IFM Investors (UK) Ltd	103.6	2.5
110.7	2.6	Ashmore	94.5	2.3
76.0	1.8	M&G	88.1	2.1
45.9	1.1	Kravis Kohlberg Roberts & Co	75.7	1.8
48.9	1.1	Cristofferson, Robb & Co	49.8	1.2
36.6	0.9	Internally Managed	37.3	0.9
13.0	0.3	Aberdeen Standard Life	21.6	0.5
13.6	0.3	Infracapital	15.8	0.4
1.2	0.0	Catapult Venture Managers	1.1	0.0
0.3	0.0	EnTrustPermal	0.2	0.0
181.9	4.2	Macquarie Investments	0.0	0.0
<b>3,974.0</b>	<b>92.3</b>	<b>Sub Total</b>	<b>3,686.6</b>	<b>88.9</b>
<b>4,307.2</b>	<b>100.0</b>	<b>Grand Total</b>	<b>4,146.9</b>	<b>100.0</b>

## 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. Valuation of financial instruments carried at fair value

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

### Level 1

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

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

### Level 2

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

### Level 3

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

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

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

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

Quoted market	Using observable	With significant unobservable
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## Pension Fund Accounts

Values at 31 <sup>st</sup> March 2020	price		inputs		inputs		Total £m	21.	Class ificat ion of Fina ncial Instr ume nts
	Level 1 £m	Level 2 £m	Level 3 £m						
Financial assets at fair value	2,458.2	0.0	1,694.6			4,152.8			
Financial liabilities at fair value	(5.9)	(0.0)	0.0			(5.9)			
<b>Net financial assets</b>	<b>2,452.3</b>	<b>0.0</b>	<b>1,694.6</b>			<b>4,146.9</b>			

Values at 31 <sup>st</sup> March 2019	Quoted market price		Using observable inputs		With significant unobservable inputs		Total £m	21.	Class ificat ion of Fina ncial Instr ume nts
	Level 1 £m	Level 2 £m	Level 3 £m						
Financial assets at fair value	2,994.0	0.0	1,367.2			4,361.2			
Financial liabilities at fair value	(54.0)	0.0	0.0			(54.0)			
<b>Net financial assets</b>	<b>2,940.0</b>	<b>0.0</b>	<b>1,367.2</b>			<b>4,307.2</b>			

2018/19 £m			2019/20 £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
<b>Financial Assets</b>					
82.4	0.0	0.0	Equities	33.8	0.0
28.9	0.0	0.0	Government Bonds	0.7	0.0
391.2	0.0	0.0	Index-linked securities	339.9	0.0
3,575.0	0.0	0.0	Pooled investment vehicles	3,527.4	0.0
49.9	0.0	0.0	Derivatives contracts	53.7	0.0
0.0	129.1	0.0	Cash and currency	0.0	86.5
0.0	1.6	0.0	Other investment balances	0.0	0.7
0.0	0.7	0.0	Sundry debtors and prepayments	0.0	0.8
<b>4,127.4</b>	<b>131.4</b>	<b>0.0</b>		<b>3,955.5</b>	<b>88.0</b>
<b>Financial Liabilities</b>					
(53.9)	0.0	0.0	Derivatives contracts	(5.9)	0.0
<b>0.0</b>	<b>0.0</b>	<b>(5.3)</b>	Sundry Creditors	<b>0.0</b>	<b>0.0</b>
<b>4,073.5</b>	<b>131.4</b>	<b>(5.3)</b>	<b>Total</b>	<b>3,949.6</b>	<b>88.0</b>

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:

2018/19 £m	2019/20 £m
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## Pension Fund Accounts

	<b>Financial Assets</b>	
231.5	Fair value through profit and loss	(241.4)
	<b>Financial Liabilities</b>	
(58.9)	Fair value through profit and loss	48.0
<b>172.6</b>	<b>Total</b>	<b>(193.4)</b>

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

2018/19 £		2019/20 £
21,280	Payable in respect of external audit	25,530
<b>21,280</b>	<b>Total</b>	<b>25,530</b>

### 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

## Pension Fund Accounts

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 2019/20 reporting period:

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

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same. Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

Asset Type	Value at 31 <sup>st</sup> March 2020	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
UK equities	15.7	16	18.2	13.2
Overseas equities	18.1	19	21.5	14.7
UK Corporate Bonds	0.7	10	0.8	0.6
Global index-linked bonds	339.9	8	367.1	312.7

## Pension Fund Accounts

Pooled property funds	279.0	15	320.9	237.2
Pooled private equity funds	248.5	28	318.1	178.9
Pooled bond and debt funds	560.9	10	617.0	504.8
Pooled hedge funds	0.2	12	0.2	0.2
Pooled equity funds	1,694.0	19	2,015.9	1,372.1
Pooled commodity funds	16.0	14	18.2	13.8
Pooled targeted return funds	151.8	12	170.0	133.6
Pooled timberland fund	143.9	16	166.9	120.9
Pooled managed futures fund	145.9	12	163.4	128.4
Pooled infrastructure fund	287.2	14	327.4	247.0
UK property	99.6	15	114.5	84.7
Cash and currency	86.5	1	87.4	85.6
Options, futures, other investment balances, current assets and current liabilities	59.0	1	59.6	58.4
<b>Total assets available to pay benefits</b>	<b>4,146.9</b>		<b>4,787.1</b>	<b>3,506.8</b>

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

## Pension Fund Accounts

### 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 2020 and 31st March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 <sup>st</sup> March 2019 £m	Asset type	As at 31 <sup>st</sup> March 2020 £m
129.1	Cash and Currency	86.5
420.1	Fixed interest securities	339.9
<b>549.2</b>	<b>Total</b>	<b>426.4</b>

### Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits. A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely. The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates.

Asset type	Carrying amount as at 31 <sup>st</sup> March 2020		
	£m	Change in year in the net assets available to pay benefits	
		+100 BPS £m	-100 BPS £m
Cash and Currency	86.5	0.9	(0.9)
Fixed interest securities	339.9	3.4	(3.4)
<b>Total</b>	<b>426.4</b>	<b>4.3</b>	<b>(4.3)</b>

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

### 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.

## Pension Fund Accounts

The Fund's currency rate risk is actively managed and the neutral position is to hedge 50% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2020 and as at the previous period end:

Asset value as at 31 <sup>st</sup> March 2019 £m	Currency exposure – asset type	Asset value as at 31 <sup>st</sup> March 2020 £m
82.4	Overseas equities	18.1
22.4	Overseas government bonds	0.0
33.2	Overseas government index-linked bonds	40.0
209	Private equity pooled funds	247.4
0.4	Pooled hedge Funds	0.2
40.4	Pooled Bond and Debt Fund	49.8
1,577.6	Overseas and Global equity-based pooled funds	1,409.6
19.8	Commodity-based pooled funds	16.0
226.4	Infrastructure pooled funds	287.2
132.5	Timberland pooled fund	143.9
110.7	Emerging Market Debt pooled fund	94.5
<b>2,454.8</b>	<b>Total overseas assets</b>	<b>2,306.7</b>

### Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 13% (as measured by one standard deviation).

A 13% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 13% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 <sup>st</sup> March 2020	Change to net assets available to pay benefits	
	£m	13% £m	-13% £m
Overseas equities	18.1	20.5	15.7
Overseas government bonds	0.0	0.0	0.0
Overseas government index-linked bonds	40.0	45.2	34.8
Private equity pooled funds	247.4	279.6	215.2
Pooled hedge funds	0.2	0.2	0.2
Pooled Bond and Debt Fund	49.8	56.3	43.3
Overseas equity-based pooled funds	1,409.6	1,592.8	1,226.4
Commodity-based pooled funds	16.0	18.1	13.9
Infrastructure pooled funds	287.2	324.5	249.9
Timberland pooled fund	143.9	162.6	125.2
Emerging Market Debt pooled fund	94.5	106.8	82.2
<b>Total change in assets available</b>	<b>2,306.7</b>	<b>2,606.6</b>	<b>2,006.8</b>

At 31st March 2019 the Fund had an active currency manager with a portfolio based on a notional value of £340m, and this was the maximum exposure that they were allowed to have. In order to achieve gains within their portfolios the manager utilised forward foreign exchange contracts and currency options as a result the fund was exposed to currency risk through this portfolio. This mandate was terminated in February 2020 and as at 31 March 2020 the fund was no longer exposed to this risk.

### **b) Credit risk**

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

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

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

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

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

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2020 was £85.6m (31st March 2019: £129.1m).

### **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 2020 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1,059.7m, which represented 25.5% of total Fund assets. (31st March 2019: £954.9m, which represented 22.1% 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 2020 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 2020

#### *Reputational Risk*

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

## **24. Related Party Transactions**

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

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd.

During 2019/20 a total of £0.7m was payable to LGPS Central Ltd for governance, operator and product development fees. Of these £0.2m was a creditor balance at the year end. As at 31 March 2020, £460.3m of LCC LGPS investments were managed by LGPS Central Ltd.

## **25. Contingent Liabilities and Contractual Commitments**

When a member has left the Pension Fund before accruing sufficient service to qualify for a benefit from the scheme, they may choose either a refund of contributions or a transfer value to another pension fund. There are a significant number of these leavers who have not taken either of these options and as their ultimate choice is unknown, it is not possible to reliably estimate a liability. The impact of these 'frozen refunds' has, however, been considered in the calculation of the actuarial liabilities of the fund.

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £2.0m, 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 31<sup>st</sup> March 2020, the Fund had the following contractual commitments:-

## Pension Fund Accounts

	31-Mar-19 £m	31-Mar-20 £m
Aberdeen Standard Life Capital SOF III Fund	21.1	22.3
Adams Street Partners	143.2	161.2
Catapult Venture Managers	0.5	0.5
IFM Global Infrastructure Fund	23.0	0.0
Infracapital Greenfield Partners I Fund	19.3	15.4
Kames Active Value Property Unit Trust II	12.5	0.0
KKR Global Infrastructure	36.7	27.1
LGPS Central PE Primary Partnership 2018 LP	0.0	9.0
M & G Debt Opportunities Fund IV	28.7	0.0
Partners Multi Asset Credit V S.C.A., SICAV-RAIF	0.0	25
Stafford International Timberland Funds VII & VIII	8.5	1.7
Stafford International Timberland VI Fund	1.5	0.0
<b>Total</b>	<b>295.0</b>	<b>262.2</b>

### 25A Key Management Personnel

Key management personnel are members of the pension fund committee and the Director of Corporate Resources. It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 33 and 34 of the County Councils accounts.

### 26. Additional Voluntary Contributions (AVC's)

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the Pension Fund Accounts in accordance with Regulation 4(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009.

During 2019/20, £1.7m (2018/19 £1.8m) in contributions were paid to Prudential. At the year end the capital value of all AVC's was £17.7m, (31/03/19, £14.0m).



## 27. Policy Statements

The Fund has a number of policy statements that are available on request from the Technical Accounting Team, Strategic Finance, Leicestershire County Council, County Hall, Glenfield, Leicester. LE3 8RB (email [technical.accountingteam@leics.gov.uk](mailto:technical.accountingteam@leics.gov.uk)). They have not been reproduced within the Accounts as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

**Statement of Investment Principles (SIPs)**

**Communications Policy Statement**

**Funding Strategy Statement (FSS)**

## 28. Compliance Statement

### *Income and other taxes*

The Fund has been able to gain either total or partial relief from local taxation on the Fund's investment income from eligible countries. The Fund is exempt from UK Capital Gains and Corporation tax.

### *Self-investment*

There has been no material employer related investment in 2019/20 (or 2018/19). 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 2019/20

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 2020. In summary, the key funding principles are as follows:

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

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to 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 2019. This valuation revealed that the Fund’s assets, which at 31 March 2019 were valued at £4,312 million, were sufficient to meet 89% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting deficit at the 2019 valuation was £537 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and liability measure as per the FSS. Individual employers’ contributions for the period 1 April 2020 to 31 March 2023 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 2019 formal valuation report.

#### Method

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

## Assumptions

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

The key financial assumptions adopted for the 2019 valuation were as follows:

Financial assumptions	31 March 2019
Discount rate	3.8%
Salary increase assumption	2.8%
Benefit increase assumption (CPI)	2.3%

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 2018 model, an allowance for smoothing of recent mortality experience and a long-term rate of 1.25% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	23.8 years
Future Pensioners*	22.2 years	25.2 years

\*Aged 45 at the 2019 Valuation.

Copies of the 2019 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund.

## Experience over the period since 31 March 2019

Markets were disrupted by COVID 19 which resulted in difficult market conditions towards the end of the financial year. As a result, the funding level of the Fund as at 31 March 2020 has reduced versus that reported in the previous formal valuation.

The next actuarial valuation will be carried out as at 31 March 2022. The Funding Strategy Statement will also be reviewed at that time.

Tom Hoare FFA

10 June 2020

For and on behalf of Hymans Robertson LLP

## Pension Fund Accounts Reporting Requirement

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2019/20 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 **Error! Reference source not found.** ("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	Error! Reference source not found.	Error! Reference source not found.
Active members ( <b>Error! Reference source not found.</b> )	<b>Error! Reference source not found.</b>	<b>Error! Reference source not found.</b>
Deferred members ( <b>Error! Reference source not found.</b> )	<b>Error! Reference source not found.</b>	<b>Error! Reference source not found.</b>
Pensioners ( <b>Error! Reference source not found.</b> )	<b>Error! Reference source not found.</b>	<b>Error! Reference source not found.</b>
<b>Total (Error! Reference source not found.)</b>	Error! Reference source not found.	Error! Reference source not found.

The promised retirement benefits at 31 March 2020 have been projected using a roll forward approximation from the latest formal funding valuation as at **Error! Reference source not found.**. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

Note that the above figures at 31 March 2020 include an allowance for the "McCloud ruling", i.e. an estimate of the potential increase in past service benefits arising from this case affecting public service pension schemes. 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 **Error! Reference source not found.** and **Error! Reference source not found.**. I estimate that the impact of the change in financial assumptions to **Error! Reference source not found.** is to **Error! Reference source not found.** the actuarial present value by **Error! Reference source not found.**. I estimate that the impact of the change in demographic and longevity assumptions is to decrease the actuarial present value by £205m.

**Financial assumptions**

Year ended (% p.a.)	Error! Reference source not found.	Error! Reference source not found.
Pension Increase Rate	<b>Error! Reference source not found.</b>	2.5%
Salary Increase Rate	<b>Error! Reference source not found.</b>	<b>Error! Reference source not found.</b>
Discount Rate	<b>Error! Reference source not found.</b>	2.4%

**Longevity assumptions**

Life expectancy is based on the **Error! Reference source not found. Error! Reference source not found.** Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	<b>Error! Reference source not found. years</b>	<b>Error! Reference source not found. years</b>
Future pensioners (assumed to be aged 45 at the latest formal valuation)	<b>Error! Reference source not found. years</b>	<b>Error! Reference source not found. years</b>

Please note that the longevity assumptions **Error! Reference source not found.** the previous IAS26 disclosure for the Fund.

**Commutation assumptions**

An allowance is included for future retirements to elect to take **Error! Reference source not found.** of the maximum additional tax-free cash up to HMRC limits for pre-April **Error! Reference source not found.** service and **Error! Reference source not found.** of the maximum tax-free cash for post-April **Error! Reference source not found.** service.

**Sensitivity Analysis**

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

Sensitivity to the assumptions for the year ended Error! Reference source not found.	Approximate % increase to liabilities	Approximate monetary amount (Error! Reference source not found.)
0.5% p.a. increase in the Pension Increase Rate	<b>Error! Reference source not found.</b>	<b>Error! Reference source not found.</b>
0.5% p.a. increase in the Salary Increase Rate	<b>Error! Reference source not found.</b>	<b>Error! Reference source not found.</b>
0.5% p.a. decrease in the Real Discount Rate	<b>Error! Reference source not found.</b>	<b>Error! Reference source not found.</b>

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

### **Professional notes**

This paper accompanies my covering report titled 'Actuarial Valuation as at **Error! Reference source not found.** for accounting purposes'. The covering report identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

**Error! Reference source not found.**

10 June 2020

For and on behalf of Hymans Robertson LLP

## **Statement of Responsibilities for Leicestershire County Council Pension Fund**

### **THE AUTHORITY'S RESPONSIBILITIES**

The Authority is required to:

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

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

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

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

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**Pension Fund Accounts**

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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 2020 and its income and expenditure for the year ended the same date.

**C TAMBINI**  
**DIRECTOR OF CORPORATE RESOURCES**  
**27**

**NOVEMBER**

**2020**



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# Annual Governance Statement (AGS) 2019/20

## 1. INTRODUCTION

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

Regulations 6 (1)(a) and (b) of the Accounts and Audit Regulations 2015 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.

In anticipation of the potential disruption to relevant authorities caused by the spread of coronavirus (COVID -19), The Accounts and Audit (Coronavirus) (Amendment) Regulations 2020 amended the 2015 Regulations to extend the deadlines for relevant authorities to publish and make available for public inspection, their annual accounts and supporting documents in relation to the financial year beginning on 1st April 2019. The draft AGS 2019/20 was published with the draft Statement of Accounts in July 2020. This final version will accompany the published Statement of Accounts signed by the Director of Corporate Resources, the Council's responsible financial officer.

## 2. WHAT IS CORPORATE GOVERNANCE?

Corporate Governance is defined as how organisations ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest and accountable manner. The Council's governance framework comprises the systems and processes, cultures and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework (the Framework)', sets the standard for local authority governance in the UK.

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

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

### 3. LEICESTERSHIRE VISION AND OUTCOMES

In December 2017, the Council agreed a new four-year Strategic Plan and Outcomes Framework to run from April 2018 to March 2022. The Council developed the Plan by focussing on what would make life better for people in Leicestershire and the Plan included the following five priority outcome themes:

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

The five priority outcome themes encompass a number of supporting outcomes which together form the overall Single Outcomes Framework which sets clear priorities for the Authority and enables more effective deployment and targeting of its resources. The Annual Delivery Report and Performance Compendium (published November 2019) included an assessment of progress in relation to the Outcomes Framework.: <https://www.leicestershire.gov.uk/about-the-council/how-the-council-works/leader-and-cabinet/council-performance>

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

The Council's revised Strategic Plan was approved in May 2020. The revision is an interim measure to reflect the Council's resolution (May 2019) to declare a climate emergency.

A long-term vision for the area and strategies to define the Council's role in meeting the emerging challenges post-COVID-19 will need to be developed at a later date when the situation is stable, and the impacts are more fully understood.

The Recovery Strategy which has been approved by Members has two key aims; to aid short-term recovery of services following lockdown, and also to support services to move to better ways of working and new efficient models of delivery in the long term. As part of the Recovery Strategy Members noted that given the significant impact of COVID-19 there would need to be a review of the Council's Medium-Term Financial Strategy and the Strategic Plan 2018-22.

### 4. WHAT THE AGS TELLS YOU

The AGS provides a summarised account of how the Council's management arrangements are set up to meet the principles of good governance and how we obtain assurance that these are both effective and appropriate. It is written to provide the reader with a clear, simple assessment of how the governance framework has operated over the past financial year and to identify any developments required. The main aim of the AGS is to provide the reader with confidence that the Council has an effective system of internal control that manages risks to a reasonable level.

It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

The revised CIPFA/SOLACE Framework requires local authorities to review arrangements against their Local Code of Corporate Governance. To ensure it is consistent with the seven core principles of the Framework, the Council's Local Code was revised and updated during 2019 and was approved by the Council at its meeting on 25 September 2019.

<https://www.leicestershire.gov.uk/sites/default/files/field/pdf/2020/1/16/local-code-of-corporate-governance.pdf>

The principles contained in the Framework have been applied to the preparation of the AGS for the financial year 2019/20.

The 2019/20 AGS has been constructed by undertaking: -

- A review of the effectiveness of the system of internal control
- Reviewing other forms of assurance
- Reviewing the Council's response to (and planned recovery from) the COVID-19 virus

## 5. REVIEW OF EFFECTIVENESS OF THE SYSTEM OF INTERNAL CONTROL

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

- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives;
- (b) ensures that the financial and operational management of the authority is effective; and
- (c) includes effective arrangements for the management of risk.

The authority must (each financial year): -

- (a) conduct a review of the effectiveness of the system of internal control, and,
- (b) prepare an annual governance statement;

To ensure the 2019/20 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 Framework. **The AGS assesses governance in place during 2019/20, the Council's self-assessments were completed in early March 2020 and therefore the majority of the year was unaffected by the COVID-19 national emergency.**

The self-assessments contained a set of conformance statements under each core principle, which required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria – Refer to Appendix 1.

The application of a quantitative approach to assessing conformance against the Framework allows the Corporate Management Team, Members and the public at large to obtain assurance that the Council operates within an adequate governance framework, thus complying with the seven core principles and best practice. In addition to the Directors' self-assessments, senior officers assessed arrangements for managing matters that apply across all departments. Whilst the self - assessments identified many sources of assurance and were transparent in reporting areas for action, a table in Appendix 1 includes key areas where further development is deemed necessary.

A senior officers group with responsibility for co-ordinating the 2019/20 AGS has determined that progressing areas identified for development against each principle above, should be the responsibility of designated Directors and Heads of Service during 2020/21.

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 – Strategic Finance & Property
- Head of Internal Audit & Assurance Service

**Note:** Follow up on progressing the implementation of 2018/19 developments was undertaken in December 2019. Any 2018/19 developments that were not carried forward into 2019/20 or reported through the Corporate Risk Register process will continue to be monitored.

## 6. OTHER FORMS OF ASSURANCE

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

### The Control Environment of Leicestershire County Council

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

#### Internal Audit Service

The Council's Head of Internal Audit Service (HoIAS) ensures that internal audit arrangements conform to the requirements of the Public Sector Internal Audit Standards (the PSIAS) revised in 2017 and 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 key members of the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the Council's control environment.

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 was made during 2019/20 against the recommendations contained in the action plan.

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 an annual risk-based plan of audits. Given the overall robustness of risk management at the Council, the plan is primarily based on the contents of the corporate and departmental risk registers to ensure current and emerging risks are adequately covered. A contingency is retained for unforeseen risks, special projects and investigations.

Internal Audit reports often contain recommendations for improvements. The number, type and importance of recommendations affects how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined sum of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other assurance providers), facilitate the HoIAS to form the annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework (i.e. the control environment).

In his annual report to the Corporate Governance Committee on 12 June 2020 <http://politics.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=6287&Ver=4>, the HoIAS overall opinion for 2019/20 was: -

**Prior to the onset of the virus, the Council's control environment was in a steady state. The build-up and immediate impact of the coronavirus was significant, of adverse nature and unique in character. However, no significant governance, risk management or internal control failings have come to the HoIAS' attention therefore reasonable assurance is given that the Council's control environment overall has remained adequate and effective.**

Specifically, for 2019-20, the HoIAS' views on the Council's responses to the coronavirus during the months of February and March 2020 are also detailed.

## 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 Cabinet in February 2020.

As the Council's COVID-19 response continues, the Council is fast progressing its plans to recover and rebuild services. It is recognised that there will be a period of transition, with phased steps towards the 'new normal'. In the interim the existing risk management arrangements have been aligned to the interim recovery planning principles.

## 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 quarterly basis.

The key areas of activities undertaken during the year included: -

- Review of the County Council's proposals for a unitary structure of local government for Leicestershire
- The Strategic Growth Plan and the bid to the Housing Infrastructure Fund.
- The capital investment plan for adult social care accommodation-based support services
- Progress against the Ofsted Continuous Improvement Action Plan,
- The revised Environment Strategy.
- The provision of community health services in both Ashby and the Hinckley and Bosworth area.
- The impact of winter on the health service and



- Number of initiatives led by the Director of Public Health including the new model for an integrated lifestyle service, the suicide prevention programme and the 'RUOK Today?' programme.

Task and finish groups were set up to undertake in depth reviews of Corporate Parenting and member engagement with Multi Academy Trusts.

### Corporate Governance Committee

The Corporate Governance Committee is responsible for promoting and maintaining high standards of corporate governance within the Council and receives reports and presentations that deal with issues that are paramount to good governance.

With regard to the promotion and maintenance of high standards of conduct by members and co-opted members within the County Council – decisions and minutes are available on the intranet. The 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. Four complaints were received, 2 were withdrawn and 2 did not meet the threshold for further investigation.

During 2019/20 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 2019/20 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy, Independent Risk Management Health Check Report
- Informing the External Audit Risk Assessment External Audit Plan, Statement of Accounts, Pension Fund Accounts and Annual Governance Statement 2018/19
- Quarterly Treasury Management updates and Annual Treasury Management Report 2018/19. Treasury Management Strategy Statement and Annual Investment Strategy 2020/21
- Internal Audit Service – Annual Plan, quarterly progress reports including status of High Importance recommendations; Annual Report, including opinion on the control environment, conformance to PSIAS and Quality Assurance Improvement Programme;
- Government driven Developments in Audit and Governance including an update on position
- Local Government and Social Care Ombudsman Annual Review 2018-19 and Corporate Complaint Handling and Freedom of Information Requests
- Committee on Standards in Public Life
- Local Code of Corporate Governance
- Annual Reports:
  - Update to the Contract Procedure Rules and Financial Procedure Rules
  - Clinical Governance Annual Report
  - Resilience and Business Continuity Update
  - Regulation of Investigatory Powers Act 2000 (RIPA)

### 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 Director of Corporate Resources managed the approved budget during 2019/20 in line with normal requirements. Nevertheless, he recognised during the early stages of planning for the virus response that the Council's finances would be significantly affected for the latter part of the year and increasingly so into 2020/21 and beyond. The Director instigated short term/emergency measures to mitigate the COVID -19 impacts on finances. More detail is provided in the Narrative Report section of the Council's Financial Statements.

### 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 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 6 local authorities) set up to provide a comprehensive professional purchasing service to public sector bodies. It is overseen by a Management Committee which has overall strategic responsibility for ESPO. There is also a Finance and Audit Subcommittee in place. Internal audit is undertaken by the Council's Internal Audit Service as part of the servicing agreement. Similar to the County Council, the HoIAS presents an annual report to the Management Committee. The annual report incorporates the annual internal audit opinion, which for 2019-20 was positive. The HoIAS also commented positively on ESPO management's response to the coronavirus. Although not required to do so an external audit is also undertaken.

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

**Eduzone** was 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 be incorporated into ESPO trading Limited.

The **Corporate Asset Investment Fund Strategy** guides the Council's investments in assets not directly involved in the delivery of its services. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports, on a quarterly basis.

The Council also has a trading arm **Leicestershire Traded Services (LTS)**, which sits within the Corporate Resources Department. Its activities are overseen by an Officer Board and the current Medium-Term Financial Strategy assumes an income of £2.7 million from traded services. The quarterly financial and performance reports includes the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies.

### Collaborative

**East Midlands Shared Service (EMSS)** EMSS is constituted under Joint Committee arrangements to process payroll/HR and accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council. The internal audit of EMSS is undertaken by Nottingham City Council.

On the basis of audit work undertaken during the 2019-20 financial year, covering financial systems, risk and governance, the Head of Internal Audit (HoIA) at Nottingham City Council concluded that a “**significant**” level of assurance could be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered.

### **Local Government Pension Scheme (LGPS) - Central Pool.**

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

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

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

Staffordshire County Council Internal Audit Service is leading a co-ordinated and collaborative approach in relation to developing assurance over the pooling arrangements operating within LGPS Central. This involves consultation with all Partner Fund's internal audit functions (including Leicestershire County Council), External Audit Partners, the Practitioners Advisory Forum and LGPS Central. An assurance framework has been established and agreed with audit work planned. At its meeting on 5 July 2019, the Local Pensions Committee was advised about the Pensions Assurance Framework (compiled using the Pool's Risk Register) and the draft Internal Audit Approach which contained a four-year cyclical programme of audits.

As part of the collaborative work, West Midlands Internal Audit Service commenced an audit of investment risks early in 2020, unfortunately, due to the current situation, it has been difficult to progress, resulting in some delays. A draft report, with limited scope, detail and testing is planned to be produced mid-July. In addition to this, two separate audits were completed, with an internal focus on LGPS Central Limited (Investment Fees and Local Governance and Financial Reporting arrangements). Both were concluded with 'substantial' assurance.

### **Leicestershire and Rutland Sports Partnership (LRS)**

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

One of those sub-groups in the 'business, oversight and audit' committee which oversees business planning, financial and risk reporting and reports to the Board quarterly.

### **Leicester and Leicestershire Enterprise Partnership (LLEP)**

The Leader of the Council is a Director of the LLEP and a member of its Board. The LLEP Executive and sub-boards have Council representation. In April 2020, the Ministry of Housing, Communities & Local Government (MHCLG) informed the LLEP of its performance rating for 2019-20. On Governance the LLEP was considered to be good, and on Delivery it was rated as exceptional. On Strategic Impact the LLEP was previously judged as requiring improvement but for 2019-20 MHCLG indicated that the required improvements had been made.

The LLEP Board underwent 'incorporation' in the last 12 months, in response to Government guidance, and is currently carrying out a Governance Review. At its meeting on 2 June 2020, the LLEP Board considered an update on progress with this review and firm recommendations for a new Governance structure, with proposed terms of reference for new sub-Boards and groups, will be considered at its meeting on 7 July 2020. An outstanding (indeed longstanding) Governance issue relates to the deployment of retained Enterprise Zone business rates and this remains a matter of negotiation between the LLEP, its accountable body (Leicester City Council) and the two district councils which have Enterprise Zones within their administrative boundaries.

Good progress has been made in reaching agreement with local authority partners on the use of the Business Rates Pool.

## Leicestershire Health and Wellbeing Board

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

- Identifies needs and priorities across Leicestershire and publishes and refreshes the Leicestershire Joint Strategic Needs Assessment (JSNA) so that future commissioning/policy decisions and priorities are based on evidence.
- Prepares and publishes a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning groups so that work is done to meet the needs identified in the JSNA in a co-ordinated, planned and measurable way.
- Through its partners, communicates and engages with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their personal health and wellbeing.
- Approves the Better Care Fund (BCF) Plan including a pooled budget used to transform local services so people are provided with better integrated care and support together with proposals for its implementation.
- Has oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services.

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

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

The publication of the 2020/21 BCF Policy Framework and Technical Guidance will be delayed due to Covid-19 to allow systems to focus on the effort of dealing with the pandemic. Financial allocations for the CCG minimum contribution and the improved BCF (adult social care allocation) was published in February 2019 and therefore the financial planning for 2020/21 has been completed and approved locally by the CCGs and LCC during April.

The National BCF Team has confirmed that although the BCF plan from April 2020 will not have been formally approved at a national level, systems should assume that spending from ringfenced BCF funds, particularly schemes from 2019/20 and spending on activity to address demands in community health and social care, is approved and should prioritise continuity of care, maintaining social care services and system resilience.

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

- **Council's Medium-Term Financial Strategy 2018-2022 (Value for Money Conclusion)**
  - We carried out an initial risk assessment in January 2019 and identified no significant risks in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated this to you in our Audit Plan dated January 2019. We have continued our review of relevant documents up to the date of giving our report [June 2019] and have not identified any new significant risks where we need to perform further work.
  - Overall Conclusion: Based on the work carried out we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources
- **Opinion on the 2018/19 Annual Statement of Accounts**
  - No significant audit or accounting issues and no material deficiencies in internal control and that the Annual Statement of Accounts presented a true and fair view, in accordance with the relevant codes and regulation.
- **Annual Audit Plan for the 2019/20 Accounts**
  - The external audit plan was reported to members in January 2020 and the interim audit was completed in March 2020 - no material issues were reported. The provision of relevant information by the Internal Audit Service will assist the external auditor to determine the planned audit approach for further testing during September and October 2020 before reporting the Audit Opinion in November 2020.
- **External Audit Plan 2019/20 Update**
  - Following the outbreak of the Covid-19 virus pandemic, the External Auditor provided an update to the Audit Plan at the Corporate Governance Committee on 12 June 2020. This included a new risk on Covid-19 (financial statements and value for money) – remote working arrangements, volatility of financial and property markets, financial uncertainty, and additional disclosures required within the financial statements.

## 7. THE COUNCIL'S RESPONSE TO THE CORONAVIRUS (COVID-19)

Towards the end of 2019/20, a global pandemic was declared in connection with the COVID-19 virus. Emergency responses were triggered, and lockdown measures were introduced in the UK from 23 March 2020.

The Council's planning for COVID-19 began in early February. Business continuity plans were implemented across the Council, this also included the identification of the most vulnerable service users to ensure there was capacity to support them. Non-essential work was risk assessed and put on hold to free staff capacity to enable the Council to deploy rapid responses to ensure core services were delivered and that residents and businesses continued to be supported.

LLR Prepared which is the Local Resilience Forum (LRF) for Leicester, Leicestershire & Rutland, has statutory responsibilities arising from the Civil Contingencies Act 2004, which requires specific organisations (such as local authorities, emergency services, the NHS and others) within an area to work together to prepare for, respond to, and recover from different emergencies. The LRF's Covid19 Strategic Co-ordinating Group (SCG) has been meeting, initially bi-weekly then weekly, since February 13<sup>th</sup>. The Council's Director of Public Health chaired the SCG until a major incident was declared locally at which point chairmanship transferred to the Deputy Chief Constable. The SCG has co-ordinated the response to COVID-19 across Leicester, Leicestershire and Rutland with increasingly preparations for recovery, including economic recovery, being given a high priority alongside the response.

The Council's Crisis Management Group (CMG), chaired by the Chief Executive, meets frequently to oversee the Council's response across key issues. Initially it met daily and now meets three times each week. CMG is supported by a corporate Resilience Planning Group (RPG) which meets four or five times a week including dedicated meetings focused on preparing for 'recovery'. The Council has worked closely with partners on a range of challenges including the supply of PPE, shielding of vulnerable people, co-ordination of volunteering, testing and tracing and excess deaths planning, and has been chairing many of the LRF cells responding to specific issues.

Electronic updates from the Chief Executive to all members of the County Council covering service and other issues are provided at least weekly; the updates can be accessed at <https://bit.ly/3cKMPgg>

Regular information has been communicated to Members, and the public. The Council also launched a Leicestershire Communities Fund 2020 of £1.5m.

Covid-19 is already having a significant adverse effect on the economy, it is also affecting the services that the Council delivers. Recognising the significant uncertainty, it is estimated that without further Government support the Council will face a significant financial gap in the current financial year. These financial implications will continue beyond the current financial year adding to the financial gap identified in the Medium-Term Financial Strategy. The impact is across the board, covering additional expenditure, increased project and capital costs, reduced income levels and required savings that are no longer achievable. The Council is taking a number of measures to ensure the impact on the financial position is minimised where possible in the immediate crisis period and medium-term recovery.

As a result of the Coronavirus, in March all attended meetings of Members and officers ceased. Regulations made under the Coronavirus Act (2020) allow authorities to conduct meetings and take decisions in ways other than face to face so that decisions can still be made to maintain good governance, principles of openness and accountability. By 4<sup>th</sup> April the Council was able to put in place measures to allow meetings to be held virtually. As a result of this and extending delegation to the Chief Executive (following consultation with the Leader) the decision-making process continued.

The constitutional arrangements for Member decisions in place before the COVID-19 lockdown proved to be robust and once the Government issued regulations regarding virtual meetings, it has been possible to conduct the vast majority of business including scrutiny and briefings for all Members.

Demands on IT systems and staff have been considerable, and most office-based staff will continue to work from home for the foreseeable future. Regular COVID-19 senior manager briefings continue to be provided as well as health and wellbeing support across the Council, informed by a Council wide survey. Work has also been carried out relating to returning to the workplace (recovery) and PPE staff risk assessments.

The Council has developed a Recovery Strategy outlining the strategic framework for the transition and recovery for 2021/21 service delivery in the context of the COVID-19 pandemic. Key recovery themes established and managed by the CMG:

- Infrastructure
  - Ways of Working (Workplace & Wellbeing)
  - Financial Sustainability
  - Digital Value
  - Environment & Net Carbon Neutrality
- Community – co-ordinate longer term community, and resilience response
- Economic – longer term including engagement with business, partners, and LLEP

Some areas in the county urban conurbations surrounding the city of Leicester were made subject to an extended period of local restrictions by regulations<sup>[1]</sup> which came into force on 4<sup>th</sup> July to be reviewed on 18<sup>th</sup> July. The restrictions are capable of enduring for a period of 6 months subject to review by the Secretary of state every 14 days. The restrictions affect businesses to require closure, limit the right of residents to stay away from home and limit gatherings. The restrictions will delay the recovery process in the affected areas.

**Note: As required by the Code of Practice on Local Authority Accounting in the UK 2019/20, 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 in Appendix 2.**

## 8. SIGNIFICANT GOVERNANCE ISSUES ARISING DURING 2019/20

This Annual Governance Statement identifies that the Council has effective arrangements in place, but that we recognise the need to continuously review, adapt and develop our governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed (Appendix 1), it is important to recognise that there are two significant matters set out in the table below.

Ref	Issue /Area for Improvement (AGS) 2020/21	Lead Officer and Date
1	<p><u>Medium Term Financial Strategy (MTFS)</u></p> <p>The AGS assesses governance arrangements in place during 1 April 2019 to 31 March 2020 – therefore, for the majority of the year the Council's governance arrangements were unaffected by COVID-19.</p> <p>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. To ensure that the Council's AGS is current at the time of its publication with the Council's Statement of Accounts (July 2020), the COVID-19 impacts on the MTFS along with the Recovery of the Council's Services over the medium and longer term have been identified as a significant governance issue.</p> <p>The Council had a robust financial position going into the COVID-19 pandemic, but the crisis will have a profound impact on the Council's financial position and the way in which services are delivered. The overall financial impact of the pandemic is difficult to quantify at present. The significant funding gap due to the pandemic will have an impact on the MTFS (2020/21 and beyond) in terms of materiality and significance:</p> <ul style="list-style-type: none"> <li>• The pandemic has seriously prejudiced the achievement of some of the principal objectives of the Council's Strategic Plan 2018-22.</li> <li>• It is estimated that without further Government support the County Council will face a significant financial gap in the current financial year. These financial implications will continue beyond the current financial year adding to the financial gap identified in the MTFS.</li> </ul>	<p>Chief Executive and the Corporate Management Team</p> <p>December 2020</p>

<sup>[1]</sup> The Health Protection (Coronavirus, Restrictions) (Leicester) Regulations 2020



	<ul style="list-style-type: none"> <li>The impact is across the board covering additional expenditure, reduced income levels and savings no longer achievable. The Council has contingency measures in place assuming the current year's funding gap continues e.g. use of the General Fund which will require replenishment and reprioritisation of the capital programme.</li> </ul>	
Ref	Issue /Area for Improvement (AGS) 2020/21	Lead Officer and Date
	<p>MTFS Continued</p> <ul style="list-style-type: none"> <li>The pandemic Response phase has enabled the Council to quickly adopt major changes in the way in which services were managed, provided and supported, and the Council is focussing significant effort to maintain progress towards the key outcomes outlined in its Strategic Plan. These changes will not be wholly sustainable for the long term and the opportunity exists to use the lessons learned and experience gained from the Response phase to rethink the Council's approach and 'build back stronger'; progressing as a modern, effective and efficient organisation.</li> </ul>	
2	<p><u>Special educational needs and disability</u></p> <p>In common with many Local Authorities, there has been an increase in Special educational needs and disability (SEND) complaints arising out of delays in issuing Education, Health and Care Plans (EHCPs) and challenges to EHCP provision or lack of provision. A number of these have been referred to the Local Government and Social Care Ombudsman. A robust action plan is being developed with stakeholders following the Ofsted joint area SEND inspection in February 2020 to address these issues.</p>	<p>Director of Children and Family Services</p> <p>December 2020</p>

## 9. FUTURE CHALLENGES

Significant challenges faced by the Council such as continuing funding shortfalls, driving further Health and Social Care integration, etc are detailed within the Corporate Risk Register, which is regularly presented to the Corporate Management Team and Corporate Governance Committee. Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring and maintaining the Council. Challenges continue to emerge and key areas in particular are:

- Austerity -. highlighted risk last year was the continued financial uncertainty regarding government funding of local government beyond 2020-21. This has since been over-ridden by the financial challenge of funding the effects of the coronavirus pandemic, which creates a challenge in terms of budget setting and medium-term financial planning. The Council also continues to face the pre covid financial challenges, most notably the increasing cost of Special Educational Needs, though pressures also remain in adults and children's social care
- Brexit - There remains a high level of uncertainty about the implications of Britain leaving the European Union (EU). The Government has confirmed it will not delay the Brexit deadline of 31 December 2020. Preparing for a no deal EU Exit in 2019 was a resource-intensive exercise and preparations for the end of 2020 could well raise similar challenges. This will prove to be a major

challenge should it coincide with one or more of the following: a second spike of COVID- 19 infections and deaths; ongoing COVID-19 recovery work; other winter health pressures; and inclement weather (e.g. snow, flooding).

- The financial risks faced by the Council in delivering the infrastructure necessary to support growth in the County are significant. To address this a Growth Unit has been established within the Council responsible for ensuring that infrastructure to support growth is effectively planned over the short, medium and long term across Leicestershire. In addition, it will ensure that risks associated with the Council's financial contribution to large scale growth and infrastructure projects remain tightly managed by securing funding of developer contributions and from government and other external agencies.
- The Independent Inquiry into Child Sexual Abuse (IICSA) - The Inquiry will investigate institutional responses to allegations of child sexual abuse involving the late Lord Janner of Braunstone QC. The IICSA announced that the Public Hearings would be held in October 2020.

## 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.

Whilst recognising that the pandemic will bring substantial risks to the Council in 2020-21, it has provided an opportunity through the response and recovery phases to enable the Council to consider changes in how its services will be delivered.

The Council's Strategic Plan 2018-22 and Medium Term Strategy will continue to be reviewed and updated over the Autumn term to assess the medium-term impacts of the current emergency situation on the Council's financial position.

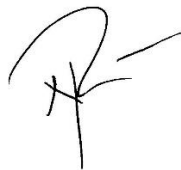
The Council is satisfied that appropriate governance arrangements are in place and continue to be regarded as fit for purpose.

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  
Chief Executive



Nicholas Rushton  
Leader of the Council



**AREAS FOR FURTHER DEVELOPMENT IN 2020-21**

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), which required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria below:





Score	Definition	Description	Evidence (all inclusive)
1	Good 	Conformance against 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

The outcome of the review of the self-assessments 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
<p><b>Principle A:</b></p> <p>Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law</p>		<p>The level of conformance is generally good; however, the following key developments are noted:</p> <ul style="list-style-type: none"> <li>• Further work continues with embedding the Council's revised values and behaviours within the updated Annual Performance Review scheme. This is particularly relevant in relation to current (remote) ways of working. (New).</li> <li>• To ensure external providers of services on behalf of the Council are required to act with integrity and in compliance with high ethical standards expected by the Council, a new Supplier Code of Conduct was agreed in September 2018, but further work is needed to review the operation and implementation of the new Code. In addition, the further engagement with departments will be undertaken to update the contract register which will lead to a targeted approach of engagement with suppliers. (From 2018/19 as continuing action).</li> <li>• Development of Ethical training for contract managers. All processes, procedures and policies are being reviewed in the Commissioning Support Unit with a view to roll out additional guidance and training where gaps are identified (From 2018/19 as continuing action).</li> <li>• The Members Code of Conduct will be reviewed to have regard to the recommendations of the report of the Committee on Standards in Public Life – 'Ethical Standards in Local Government'. The LGA has just launched the consultation on the Code <a href="https://www.local.gov.uk/code-conduct-consultation-2020">https://www.local.gov.uk/code-conduct-consultation-2020</a>. The consultation on the draft member code of conduct will run for 10 weeks from Monday 8 June until Monday 17 August 2020. A report will be submitted to the Corporate Governance Committee in July setting out a suggested response to the consultation. (New)</li> <li>• Additional resources to support implementing a robust recruitment programme for social workers and wider resource in place to help to modernise recruitment practice and processes – reported through CRR.</li> <li>• Employee Code of Conduct was agreed by the County Council in July 2014. This is currently in the process of being reviewed (New).</li> <li>• Ensure that all upheld complaints have an action plan and that this is tracked and evidenced (New)</li> </ul>
<p><b>Principle B:</b></p> <p>Ensuring openness and comprehensive stakeholder engagement</p>		<p>The level of conformance is reasonable however further development is required in:</p> <ul style="list-style-type: none"> <li>• A corporate Consultation Communications and Engagement Group oversees and co-ordinates the Council's engagement activities. The Group will review how the council can fulfil its statutory duty to consult in light of the current Covid-19 emergency. This will include learning lessons from previous consultations, best practice and innovation. (New)</li> </ul>

## Annual Governance Statement

<p><b>Principle C.</b></p> <p>Defining outcomes in terms of sustainable economic, social, and environmental benefit</p>		<p>The level of conformance is good with the following area to note:</p> <ul style="list-style-type: none"> <li>A light touch review of the Strategic Plan 2018-2022 was undertaken in light of the declaration on climate change. This is to be approved by Council on 8<sup>th</sup> July 2020. A comprehensive review of the Strategic Plan and outcomes framework will be undertaken in the financial year 21/22 to reflect the implications of Covid-19 and the ongoing climate change challenges. The Strategic Plan has been augmented by the development of a complementary Strategic Change Programme and a Covid19 Recovery Strategy. (New)</li> </ul>
<p><b>Core Principles of the Framework</b></p>	<p><b>Overall Assessment</b></p>	<p><b>Action to Develop Areas Further</b></p>
<p><b>Principle D.</b></p> <p>Determining the interventions necessary to optimise the achievement of the intended outcomes</p>		<p>Further development is noted in the following areas:</p> <ul style="list-style-type: none"> <li>Work is continuing to embed an outcomes-based approach following adoption of the Council's Strategic Plan 2018-22. The outcomes framework is being implemented in a phased manner with work well advanced on the Affordable and Quality Homes outcome and work is being undertaken on the other four. A programme of work to ensure the Council's Policy Framework aligns to the Strategic Plan is also underway. (New)</li> <li>The Council an approved Social Value Policy statement - work is underway to conduct a Council wide review of Social Value to identify gaps. Additional guidance and training will be provided to address gaps. (From 2018/19 as, continuing action)</li> <li>Oracle Fusion Implementation (replacement system to transform how HR, Payroll, Finance and Procurement tasks) reported through CRR.</li> </ul>
<p><b>Principle E.</b></p> <p>Developing the entity's capacity including the capability of its leadership and the individuals within it</p>		<p>The level of conformance is good, however:</p> <ul style="list-style-type: none"> <li>The People Strategy is being refreshed - an evaluation of the effectiveness of actions taken under the existing strategy has been undertaken and results are informing the development of priorities within the new strategy. (New)</li> <li>Continue to utilise best practice, benchmarking information and implement enhanced date reporting to better support future service developments and resource allocation. (New)</li> <li>The Council's approach to attendance management and wellbeing was subject to an informal peer review by another County Council in August 2019. and an action plan has been implemented to enable the Council to meet its absence management target. Early indications are that absence levels are dropping through enforced remote working (longer term this will be supported by the implementation of the Council's workplace programme) – this will be the subject of ongoing monitoring through the CRR.</li> </ul>
<p><b>Principle F.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management</p>		<p>The level of conformance is generally good, although the following key development is noted:</p> <ul style="list-style-type: none"> <li>Continuing work on implementation of recommendations from the Independent Risk Management Health Check (From 2018/19 as a continuing action).</li> <li>Greater validation processes within key databases being developed. Increase digital support for management to manage data quality and identify weaker areas. Improve contract management and monitoring of key contracts particularly for Adult Social Care, SEND. (New)</li> </ul>

## Annual Governance Statement

		<ul style="list-style-type: none"> <li>• Work is underway to identify missing Information Security Agreements (ISA). Reviews of all ISAs will be undertaken to ensure actions are complete.(New)</li> </ul>
<p><b>Principle G.</b></p> <p>Implementing good practices in transparency reporting and audit to deliver effective accountability</p>		<p>The level of conformance is good, however:</p> <ul style="list-style-type: none"> <li>• Work is underway to ensure all departments update the Contracts Register to enable compliance with the reporting requirements under the Transparency Code. (New)</li> <li>• New place -based performance dashboards are being implemented to reflect the Health and Well Being (HWB) Board priority outcomes and integration deliverables. The HWB Board is undertaking a review of priority outcomes within the Joint Health and Well Being Strategy as part of planning for 2021/21. (New)</li> </ul>

## Appendix 2

### SIGNIFICANT EVENTS & DEVELOPMENTS RELATING TO THE GOVERNANCE SYSTEM THAT OCCURRED POST BALANCE SHEET DATE

The draft Annual Governance Statement (AGS) for 2019/20 was considered by the Council's Corporate Governance Committee on 24 July and was subsequently published with the draft Statement of Accounts.

The Code of Practice on Local Authority Accounting in the UK 2019/20, states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported.

To assist in determining a 'significant event or development relating to the governance system', CIPFA suggested two questions could be considered by organisations: -

1. Has an event from 2019/20 continued to impact on governance until the time of publication?

Although it departed from the national Contain Framework, the County Council along with Leicester City Council and Rutland Council, the other two Public Health Authorities in the area, took a decision jointly to establish a Political Oversight Board to allow the Leaders of local authorities (plus the Police and Crime Commissioner and local NHS leaders) to have a greater involvement in and awareness of decision taking in respect of local lockdowns. That was commended as an example of good governance by an independent review commissioned by MHCLG in August 2020, which more widely praised the local response following the 'Leicester lockdown', which also affected parts of Leicestershire, announced on June 29th. The Political Oversight Board has continued to meet as necessary in the context of the ongoing lockdown of Leicester and different decisions in respect of the Government's tiered approach affecting Oadby & Wigston and Charnwood. The independent MHCLG review also supported the recommendation from the County Council that there should be a more timely and ongoing involvement of local MPs in respect of any lockdown decision.

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/924639/Local\\_COVID-19\\_outbreaks\\_lessons\\_learnt\\_and\\_good\\_practice.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924639/Local_COVID-19_outbreaks_lessons_learnt_and_good_practice.pdf)

The County Council has established a cross-party member working group which meets with lead officers to discuss its own plans for recovery. Separately, the County Council has a lead role in a Business Recovery cell (covering Leicester and Leicestershire) set up by the Local Resilience Forum (LRF).

The County Council has led on the implementation of the local lockdown enforcement regulations and has secured good governance through its agreement on working arrangements and the release of staff with each of the seven district councils as well as the oversight of the enforcement activity through the LRF to achieve consistency across all areas'.

2. Have recent developments highlighted something about governance in 2019/20 that wasn't known?

Although the County Council has continued with its regular pattern of Cabinet, scrutiny and regulatory meetings, held virtually since the national lockdown announced in March, those meetings were not judged to allow for sufficient member awareness of the impact of Covid-19 both on council services and local communities. Accordingly, wide ranging electronic updates have been published at least on a weekly basis (also circulated to MPs and town and parish councils) and weekly Teams meetings (All Member Briefings) have been held throughout the period. Typically, 40+ of the Council's 55 members will dial in. Presentations are made by officers covering all services, including recovery, followed by a Q&A session, the event typically lasting around 1½ hours.

The County Council has adopted a dynamic approach and amended its scheme of delegation and standing orders as required to enable its functions to be undertaken in a different way and to encompass new areas of enforcement work without prejudice to its governance obligations.

## Glossary of Terms

### **ACCOUNTING POLICIES**

The specific principles, bases, conventions, rules and practices applied in preparing and presenting financial statements.

### **AMORTISED COST**

The amortised cost of a financial asset or financial liability is:

- the amount at which the asset or liability is measured at initial recognition (usually “cost”)
- *minus* any repayments of principal,
- *minus* any reduction for impairment or uncollectibility, and
- *plus or minus* the cumulative amortisation of the difference between that initial amount and the maturity amount.

### **CASH AND CASH EQUIVALENTS**

- Cash is represented by cash in hand and deposits with financial institutions repayable without penalty within 24 hours.
- Cash equivalents are investments of less than 3 months from acquisition that are readily convertible to known amounts of cash with insignificant risk of a change in value.

### **CAPITAL RECEIPTS**

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

### **CAPITAL RESERVE**

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

### **COLLECTION FUND**

The fund administered by each authority collecting Council Tax and National Non Domestic Rates (district councils in shire areas). The Authority precepts on these funds to finance its net expenditure after taking into account other sources of income, e.g. Government Grants, and charges for services.

### **CREDITORS**

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

### **DEBTORS**

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

### **DEFERRED CAPITAL RECEIPTS**

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the Authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

### **FAIR VALUE**

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm’s length transaction at the market date. Fair value is referred to as the exit price.

### **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

A statement of common accounting practices, devised by the International Accounting Standards Board, which form the basis for the treatment and recording of transactions as applicable to the majority of large organisations, in both the private and public sectors.



**GENERAL FUND**

The main revenue fund (reserve) of the Authority. Precept income, National Non-Domestic Rate income and government grants are paid into the fund, from which the cost of providing services is met.

**IMPAIRMENT**

A loss in the value of a fixed asset, arising from physical damage such as a major fire or a significant reduction in market value. In addition, a reduction in value where there is insufficient unrealised gains in the revaluation reserve for that asset.

**INFRASTRUCTURE**

The network of roads, bridges, sewers, lighting etc.

**INTANGIBLE ASSET**

Non-financial non-current assets that do not have physical substance but are identifiable and are controlled by the Authority through custody or legal rights (e.g. purchased software licences).

**LEASING**

A method of financing the acquisition of assets, notably equipment, vehicles, plant, etc. There are two forms of lease:

- a) A finance lease involves payment by the lessee (the user) of the full cost of the asset together with a return on the finance provided by the lessor, usually payable over the anticipated life of the asset.
- b) An operating lease involves the payment of a rental by a lessee for a period, which is normally less than the useful economic life of the asset.

**LONG TERM BORROWING**

Loans with terms over 1 year, raised to finance capital spending.

**MINIMUM REVENUE PROVISION**

The Authority has a duty to set aside a prudent amount of money as a provision for financing debt incurred to undertake capital expenditure.

**MOVEMENT IN RESERVES STATEMENT**

A reconciliation showing the movement in the year on the different reserves held by the Authority, analysed into 'usable' reserves (i.e. those that can be used to fund expenditure or reduce local taxation) and unusable reserves. It also shows how the balance of resources generated/ consumed in the year links in with statutory requirements for raising council tax.

**NON CURRENT ASSETS**

Assets which are not readily convertible into cash or not expected to become cash within the next year. Examples include fixed assets, leasehold improvements, long term investments and long term debtors.

**NON-OPERATIONAL ASSETS**

Assets held by the Authority but not directly used for the provision of services, e.g. assets surplus to requirements, commercial properties, and assets under construction.

**PRECEPTS**

The income which the Authority receives from billing authorities (e.g. council tax from the collection funds of the district councils or Parish Councils).

**PROVISION**

An amount set aside for any liabilities or losses of uncertain timing.

**PUBLIC WORKS LOAN BOARD (PWLb)**

A government body from which local authorities may obtain long term loans, usually at preferential interest rates.

**REMUNERATION**

All sums paid to an employee, including expenses, allowances, and redundancy payments chargeable to UK income tax, and the monetary value of any other benefits received other than in cash.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

Capital expenditure incurred not resulting in an asset to the authority e.g. Grants to village halls.

**REVENUE SUPPORT GRANT (RSG)**

Grant paid by the Government in respect of general local authority expenditure.

**RECHARGE**

The transfer of costs from one service account to another.

**REVENUE FUNDING OF CAPITAL**

The financing of capital expenditure by a direct contribution from revenue.

**REVENUE**

Includes fees and interests earned from providing services and selling goods. Also includes Government grants to local authorities.

**SERVICE LEVEL AGREEMENT (SLA)**

An agreement between users and providers of support services which specifies the service to be provided and the charge to be made.

**SHORT TERM ACCUMULATING COMPENSATED ABSENCES ADJUSTMENT ACCOUNT**

Represents the reversal of the accrued charge to the Comprehensive Income and Expenditure Statement for outstanding annual leave, flexi leave and time off in lieu carried forward by employees required by regulations.

**SPECIFIC GRANTS**

Grants paid by the Government for a particular service.

**TERMINATION BENEFITS**

Employee benefits payable as a result of either: (a) the Authority's decision to terminate an employee's employment before the normal retirement date; or (b) an employee's decision to accept voluntary redundancy in exchange for those benefits.

**TRUST FUNDS**

Funds administered by the Authority for such purposes as charities, prizes and specific projects.

**USABLE RESERVE**

An amount set aside for purposes falling outside the definition of a provision that an Authority can apply to its provision of services, either by incurring expenses or undertaking capital investment.

**UNUSABLE RESERVE**

An amount set aside for purposes falling outside the definition of a provision that an Authority is not able to utilise to provide services. These include reserves that hold unrealised gains and losses as well as adjustment accounts which hold income and expenditure recognised statutorily against the general fund balance on a different basis from that expected by accounting standards as adopted by the code.