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Leicester
City Council

MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

DATE: TUESDAY, 11 FEBRUARY 2025
TIME: 5:30 pm
PLACE: Meeting Room G.03, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ

Members of the Committee

Councillor Kaur Saini (Chair)
Councillor Adam Clarke (Vice-Chair)

Councillors: Adatia, Cassidy, Joel, Kitterick and Rae Bhatia.

Independent member: Mr Bipon Bhakri
One unallocated Labour Group place.

Members of the Committee are invited to attend the above meeting to consider the items of business listed overleaf.

For Monitoring Officer

Officer contacts:
Sharif Chowdhury, Governance Officer e-mail: ***sharif.chowdhury@leicester.gov.uk.***

Information for members of the public

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Further information

If you have any queries about any of the above or the business to be discussed, please contact: Sharif Chowdhury, **Senior Governance Services Officer.** Alternatively, email committees@leicester.gov.uk or call in at City Hall.

For Press Enquiries - please phone the **Communications Unit on 0116 454 4151**.

PUBLIC SESSION

AGENDA

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If the emergency alarm sounds, you must evacuate the building immediately by the nearest available fire exit and proceed to the area outside the Ramada Encore Hotel on Charles Street as directed by Governance Services staff. Further instructions will then be given.

1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. MINUTES OF THE PREVIOUS MEETING — Item 3 **(Pages 1 - 4)**

The minutes of the meeting held on 29 January 2025 are attached and Members will be asked to confirm them as a correct record.

4. STATUTORY STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2023/24 — Item 4 **(Pages 5-242)**

The Director of Finance submits a report to the Governance and Audit Committee which presents the Statutory Statement of Accounts and Annual Governance Statement 2023/24, along with an update from the External Auditor, which details their audit work and any recommendations.

The committee is recommended to:

- Note the auditor's ISA 260 Report (the Audit Findings Report)
- Approve the Statements of Accounts 2023/24
- Approve the Annual Governance Statement 2023/24
- Approve the Letter of Representation
- Delegate authority to approve any minor amendments to the Annual Accounts and the Annual Governance Statement to the Director of Finance

5. EXTERNAL AUDIT ANNUAL REPORT 2023/24 — Item 5 **(Pages 243 - 284)**

The External Auditors, Grant Thornton, and Head of Finance submits a report to the Governance and Audit Committee which presents the External Audit Annual Report 2023-24.

The Committee is recommended to note the report.

6. GOVERNANCE AND AUDIT WORKPLAN 2024/25 — Item 6 **(Pages 285 - 285)**

The current workplan for the Committee is attached. The Committee is asked to consider this and make comments and/or amendments as it considers necessary.

7. ACTION TRACKER

Item 7
(Pages 287 - 287)

The Committee is recommended to note progress on actions agreed at the previous meeting and not reported elsewhere on the agenda (if any).

8. ANY OTHER URGENT BUSINESS

Leicester
City Council

Minutes of the Meeting of the
GOVERNANCE AND AUDIT COMMITTEE

Held: WEDNESDAY, 29 JANUARY 2025 at 5:30 pm

PRESENT:

Councillor Kaur Saini (Chair)
Councillor Clarke (Vice-Chair)

Councillor Cassidy
Councillor Kitterick
Councillor Osman
Councillor Westley

* * *   * *   * * *

1. APOLOGIES FOR ABSENCE

Councillor Westley and Councillor Osman were noted to be in attendance as substitutes for Councillor Rae Bhatia and Councillor Adatia.

Apologies were received from Councillor Joel and Bipon Bhakri.

2. DECLARATIONS OF INTEREST

There were no declarations of interest.

3. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting of the Governance and Audit Committee held on 18 September 2024 and 5 December 2024 be confirmed as a correct record.

4. EXTERNAL AUDIT ANNUAL REPORT 2023/24

RESOLVED

That the External Audit Annual Report 2023-24 item be deferred to the next Governance and Audit Committee on the 11th of February 2025.

5. INTERNAL AUDIT - WORK PROGRAMME CONSULTATION

The Head of Internal Audit presented the Internal Audit Work Programme Consultation report, providing an overview of the key areas under review and their alignment with council priorities and strategic risks. The report outlined 11 assurance areas aimed at supporting the council in achieving its objectives through effective risk management and audit planning.

The Head of Internal Audit highlighted the following points:

- The strategic risks facing the council were considered in the development of the work programme. The three main criteria were used to prioritise audit areas: risk impact, organisational needs, and alignment with strategic objectives.
- Consultations had been undertaken with relevant officers across departments to inform the audit priorities and the work programme remains adaptable to accommodate emerging risks and changes in priorities.
- The committee was invited to provide their views and suggestions on areas that might benefit from internal audit focus. Members were asked to consider potential risks and areas of interest for future audits.

In response to the presentation members raised the following queries:

- Members raised questions regarding conflicts between council priorities and the strategic management of governance risks, noting two two areas of concern for audit inclusion: The rising costs associated with home-school transport arrangements and issues relating to the management of children's homes, including a recent Ofsted letter that called for improvements in care arrangements.
- Members emphasised the importance of reassurance on these matters, noting the significance of understanding risks associated with both care home costs and broader governance issues.
- The Head of Internal Audit informed that that these areas were being reviewed in the context of functional reporting and explained that the audit function serves key stakeholders within the council, including the Governance and Audit committee and that regular updates on progress would be provided through the Director of Finance.
- The Head of Internal Audit responded to a query regarding climate risks, specifically focusing on the legal implications of the council's decarbonisation commitments, informing that that climate risk is acknowledged as a strategic risk in the council's risk register. However, it was noted that there was slower movement in developing frameworks for climate-related risks over the past few years and arrangements are in place to address this going forward.

RESOLVED

The Committee noted the report.

6. GOVERNANCE AND AUDIT WORKPLAN 2024/25

The Committee were asked to consider the Governance and Audit Workplan 2024-25, and make comments or amendments necessary.

AGREED

The Internal Audit Plan 2025/26 to be included in the Governance and Audit Committee on 19 March 2025.
Internal Audit to include SEND transport and children's homes into their workplan for 2025/26.

7. ACTION TRACKER

The Committee were recommended to note progress on the Action Tracker.

- Members queried the progress regarding children's care homes, the Director of Finance confirmed that this matter will be added to the internal audit workplan.
- A discussion was held on student council tax exemptions, focusing on the classification of students and non-students, as well as the liability for council taxes in large, purpose-built student residences. The Director of Finance explained that non-students are identified and verified through collaboration with partners including universities, halls of residence and DWP's processes.
- It was clarified that individual queries related to the Household Support Funds should be directed to the Director of Finance rather raised through the Governance and Audit or Overview Select Committees.

RESOLVED

The Committee agreed to close the outstanding actions.

8. ANY OTHER URGENT BUSINESS

The Chair reminded members of the additional Governance and Audit Committee on the 11th of February 2025 which includes the approval of the 2023/24 Statements of Accounts.

The meeting was declared closed as there was no other urgent business.

Statement of Accounts & Annual Governance Statement 2023/24

Governance and Audit Committee

Decision to be taken by: Governance & Audit Committee

Date of meeting: 11 February 2025

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Kirsty Cowell
- Author contact details: Kirsty.cowell@leicester.gov.uk
- Report version number: 1

1. Summary

1.1 To seek the approval of the Committee for Council's Annual Governance Statement & Annual Accounts 2023/24.

1.2 To provide the Committee with an update from the External Auditor, which details their audit work and any recommendations.

2. Recommended actions/decision

2.1 The Governance & Audit Committee is recommended to:

- Note the auditor's ISA 260 Report (the Audit Findings Report) to those charged with Governance and the recommendations contained within it, attached at Appendix 1.
- Approve the Statement of Accounts 2023/24, Appendix 2
- Approve the Annual Governance Statement 2023/24, Appendix 2.
- Approve the Letter of Representation submitted by the Director of Finance (S151), attached at Appendix 3.
- Delegate authority to approve any minor amendments to the Annual Accounts and the Annual Governance Statement to the Director of Finance, subject to a report to the Committee at the next meeting.

3. Scrutiny / stakeholder engagement

3.1 N/A

4. Background and options with supporting evidence

4.1 The Accounts & Audit (England) Regulations 2015 required that the Council presented its audited Statement of Accounts along with its Annual Governance statement for approval annually by the 31 July. This is updated by The Accounts and Audit (Amendment) Regulations 2024.

4.2 Under the 2024 regulations, the amendments change the dates for authorities to publish their accounts to bring reporting back inline.

- For the current year 2023/24 we must publish on or before 28 February 2025.

- For future years the dates are laid out in the table below

Year beginning in	Date
2024	27 February 2026
2025	31 January 2027
2026	30 November 2027
2027	30 November 2028

Statement of Accounts

4.3 Approval of the Statement of Accounts is delegated to the Governance & Audit Committee by Council and the Statements for 2023/24 are scheduled to be approved at the next meeting of the committee.

4.4 The draft (unaudited) 2023/24 accounts were considered by this committee on 7 August 2024.

4.5 The statutory accounts are prepared in accordance with the Code of Practice on Local Authority Accounting in the UK. Separate management accounts are presented to the Executive and to the Overview Select Committee, which set out the revenue and capital outturn for the authority. The financial position of the authority is presented in a different way in the Statement of Accounts. The outturn reports focus on the in-year financial performance in a format consistent with the Council's budgets, while the Statement of Accounts shows the in-year performance in a standard format adopted by all local authorities, including a balance sheet showing the financial position as at 31 March 2024.

4.6 Despite the wide variations in the way the position is presented, the key point is that both the outturn reports and the accounts are consistent.

4.7 The asset valuations have caused delays in finalisation although the samples produced for the audit were improved from the 2022/23 accounts.

4.8 It is positive that we will receive an unqualified audit opinion and won't require reliance on the backstop. We recognise that there has been issues with this years accounts, there has been lots of hard work by both the valuations and finances team to complete the accounts.

4.9 There has been some are national issues and some around the resources we have available. It is recognised that there are improvements required in the process for the statement of accounts, and an improvement action report will be brought to the March meeting. We will be going out to tender for valuations for 2025/26 accounts.

External Audit

4.3 The External Auditor's ISA 260 Report (the Audit Findings Report) presents the observations from the audit work undertaken that are significant to the responsibility of those charged with governance to oversee the financial reporting process. ISA is the International Standard on Auditing (UK). The report can be found at Appendix 1.

4.4 During the external audit a number of adjustments have been identified and reflected in the attached version to the financial statements attached at Appendix 2, and identified in the audit findings report at Appendix 1. It is important to note that none of these amendments have resulted in a change to the money the Council has available to fund services.

4.5 It is an important report and details the conclusions of the external audit and makes recommendations. Management responses to the recommendations are contained within the action plan at appendix D to the report itself.

4.6 In the external audit report, there are several areas highlighted yellow or missing information, an addendum updating this will be provided for the meeting.

4.7 Key changes made in the statements are identified below:

- Correction of asset valuations, a number of corrections have been made.
- Correction of a various misclassifications as laid out in the audit findings report at Appendix 1.

Annual Governance Statement

4.8 The Annual Governance Statement is presented here for approval. If approved, the Statement will be signed by the Chief Operating Officer and City Mayor and published with the Statement of Accounts.

4.9 This is an important statement that should assure the people of Leicester that the Council operated in accordance with eh law and has due regard to proper standards of behaviour and that it safeguards the public purse.

4.10 The format of the Annual Governance Statement to a large extent is dictated by the Chartered Institute of Public Finance and Accountancy (CIPFA)/Society of Local Authority Chief Executives (SOLACE) framework 'Delivering Good Governance in Local Government'.

Letter of Representation

4.11 The letter of representation is a letter to the external auditors signed by the Director of Finance (s.151 officer) and approved by the Governance & Audit Committee.

4.12 The letter is designed to give the external auditor assurance on the information included in the Statement of Accounts and to affirm that the

primary responsibility for the content of the Statement of Accounts remains with the Council.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

The report is exclusively concerned with financial issues.
Signed: Kirsty Cowell
Dated: 3rd February 2025

5.2 Legal implications

There are no direct legal implications arising from this report.
Signed: Kevin Carter
Dated:20 January 2025

5.3 Equalities implications

Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act. To advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, To foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying ‘due regard’ in our decision making in the design of policies and in the delivery of services. The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. There are no direct equality implications arising from the report.
Signed: Surinder Singh
Dated: 20 January 2025

5.4 Climate Emergency implications

There are no significant climate emergency implications directly associated with this report.

Signed: Duncan Bell, Change Manager (Climate Emergency). Ext. 37 2249	
Dated: 17th January 2025	

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

6. Background information and other papers:

None

7. Summary of appendices:

Appendix 1 – Grant Thornton - Leicester City Council Audit Findings Report (AFR)

Appendix 2 - Statement of Accounts and Annual Governance Statement 2023/24

Appendix 3 - Letter of representation

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a "key decision"? If so, why?

No

Grant Thornton

The Audit Findings (ISA260) Report for Leicester City Council

Year ended 31 March 2024

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Private and Confidential

Leicester City Council

115 Charles Street
Leicester
LE1 1FZ

11th February 2024

Grant Thornton UK LLP

17th floor
103 Colmore Row
Birmingham
B3 3AG
www.grantthornton.co.uk

Dear Members of the Audit and Governance committee

Audit Findings for Leicester City Council for the year ended 31 March 2024

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Avtar Sohal

Director
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

Avtar Sohal

Key Audit Partner

E Avtar.S.Sohal@uk.gt.com

William Howard

Manager

E William.J.Howard@uk.gt.com

Lisa Morrey

Manager

E Lisa.Morrey@uk.gt.com

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Leicester City Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and the Council's income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements including the Annual Governance Statement (AGS), and Narrative Report, is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed via a hybrid approach on site and remotely during from July to date.

We have identified £TBC adjustments to the financial statements that have resulted in a £TBCm adjustment to the Council's Comprehensive Income and Expenditure Statement. These have no impact on the level of the Council's useable reserves (TBC).

Audit adjustments are detailed at Appendix D. We have also raised recommendations for management as a result of our audit work. These are set out at Appendix B. Our follow up of recommendations from the prior year's audit are detailed at Appendix C.

Due to the level of unadjusted misstatements identified in Appendix D, we are required to undertake additional internal quality checks before we can issue our opinion. These should be completed between the publication of the Agenda and the meeting of the Governance and Audit Committee and we will update the Committee verbally at the meeting.

Our work is complete except for the following outstanding matters;

- receipt and review of the amendments to be made to PPE, on which we will complete our accounting treatment testing;
- receipt of management representation letter, which is presented alongside this report;
- updating our post balance sheet events review, to the date of signing the opinion, including consideration of any updates to the Council's disclosed contingent liabilities and whether any additions to the Council's provisions balance is required (based on outcome of any legal cases for instance; and
- review of the final set of financial statements to confirm amendments made are appropriate.

The identification of a number of errors in our sampling, has led to additional work, and in some cases, extended testing in the areas of fees and charges income, debtors, expenditure completeness, income completeness, and capital receipts. We have also experienced delays to the completion of the audit with queries in respect of Property, Plant and Equipment (PP&E). This work has now been completed, however we have been reporting issues in the valuation process since 2019/20, recommending each year that the Council improve in this area yet the same problems remain, which cause a significant impact on completing audit procedures.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unqualified including a significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We anticipate signing your accounts subsequent to the completion of the outstanding matters highlighted above.

1. Headlines (continued)

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

Our work on the Council's value for money (VFM) arrangements will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR). We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We identified a significant weakness in the Council's arrangements and so are not satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. Our findings are set out in the value for money arrangements section of this report (Section 3).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We have completed the majority of work under the Code. However we cannot certify the closure of the 2023/24 audit until the 2022/23 audit is certified as closed, which was delayed due to ongoing work in response to an objection raised in the prior year.

We cannot formally conclude the audit and issue an audit certificate for Leicester City Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024

Significant matters

As noted on page 4 we have continued to encounter significant difficulties in our audit of the Council's PP&E valuations, specifically its other land and buildings, which are valued by the Council's internal valuation team, as detailed on pages 10-11 of our report.

As a result of this, as well as to reflect time spent on additional testing to gain appropriate assurance following fails identified in our sample testing, we will be raising a fee variation. This is set out in further detail at Appendix E.

1. Headlines (continued)

National context – audit backlog

Government proposals around the backstop

On 30 July 2024, the Minister of State for Local Government and English Devolution, Jim McMahon, provided the following written statement to Parliament Written statements - Written questions, answers and statements - UK Parliament This confirm the government's intention to introduce a backstop date for English local authority audits up to 2022/23 of 13 December 2024. A backstop date for 2023/24 was proposed of 28 February 2025. The instrument to implement the backstop has since been laid before parliament and has now taken effect.

We intend to issue our audit opinion ahead of the 28 February 2025 deadline, subject to the outstanding matters being resolved as outlined on page 4.

New National Audit Office Code

As part of ongoing reforms to local audit, the National Audit Office has also laid a new Code before Parliament. One of the objectives is the new Code is to ensure more timely reporting of audit work, including Value for Money. The Code requires that from 2025, auditors will issue their Annual Auditor's Report by November each year. We have already put resource plans in place to ensure we achieve this deadline across all audited bodies.

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National context – level of borrowing

All Councils continue to operate in an increasingly challenging financial context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums in excess of their revenue budgets to finance these investment schemes. Additionally, we have also seen some authorities lending money to their subsidiary companies, which may not be in a position to repay those loans.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

The Council is historically risk averse in this way (it does not have investment properties for instance), and we have not identified any areas of concern at the Council from the work done to date. However, as noted later in this report, financial sustainability is becoming ever more challenging for the Council. In seeking to identify alternative methods of balancing the books in the future in the face of high costs and high demand, the Mayor and Council need to be alert to the risk that decisions could be made, which may benefit in the short-term but have longer term disadvantageous implications i.e. on the Council's minimum revenue provision for example. The Mayor and members will therefore need to ensure their arrangements continue to support making decisions, which are informed, and affordable in the longer term.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Audit and Governance Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

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

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

We have not had to alter our audit plan, as communicated to you on 7 August 2024.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Governance and Audit Committee meeting on 11th February 2025, as presented alongside this report. These outstanding items include:

- receipt and review of the amendments to be made to PPE, on which we will complete our accounting treatment testing;
- receipt of management representation letter, which is presented alongside this report;
- updating our post balance sheet events review, to the date of signing the opinion, including consideration of any updates to the Council's disclosed contingent liabilities and whether any additions to the Council's provisions balance is required (based on outcome of any legal cases for instance; and
- review of the final set of financial statements to confirm amendments made are appropriate.

Acknowledgements and findings

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff. As highlighted on pages 4 and 5, during the course of the audit both your finance team and our audit team faced significant challenges, such as:

- Delays in receiving evidence to support the valuations of other land and buildings for the key inputs and assumptions, such as land values.
- Material and pervasive issues identified within the process to value other land and buildings which required the valuations to be revised.
- Consideration of income and expenditure that should have been accounted for in the 2023/24 financial year but wasn't, leading to additional testing.
- Errors identified in the recognition of capital receipts within the Gain/Loss on disposal calculation, leading to additional work.
- Duplicated postings within fees and charges which were intended to net agency and recharge codes to nil, however resulted in misstatements.
- Additional work to test all school cash balances, as opposed to a sample approach, due to the Council's process of using balances at February 2024, as opposed to 31st March 2024.

These matters have resulted in us incurring additional time on the audit and impacted the final audit fee, as summarised in Appendix E to gain sufficient and appropriate audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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Materiality levels remain the same as reported in our audit plan on 7 August 2024.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	16,400,000	Benchmarked to 1.4% of the Council's gross expenditure in the prior period. We have determined this to be the level of misstatement which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.
Performance materiality	10,660,000	This drives our sample sizes. It is based on 65% of the headline materiality.
Trivial matters	820,000	At 5% of headline materiality, this is the value above which we will report misstatements to the Governance and Audit Committee, as those charged with governance.
Materiality for senior officer remuneration disclosures	25,737	We have applied our headline materiality % of 1.4% to the total senior officer remuneration value of £1.8m in the prior period, as this disclosure is particularly sensitive and of interest to the reader.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.	We have: • evaluated the design and implementation of management controls over journals • analysed the journals listing and determined the criteria for selecting high risk unusual journals • identified and tested unusual journals made during the year and the accounts production stage for appropriateness • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness • reviewed and test items identified as part of transactional testing to ensure they have been appropriately charged to either the General Fund or the Housing Revenue Account (HRA) as appropriate We reported to you in our audit plan and at prior audits that there continues to be a lack of an established approval process for journals which places heavy reliance on the expectation for the Council's day-to-day activities to identify and correct any improper postings. The Council is aware of this, and officers perform retrospective review of a sample of journals posted. We have reviewed documentation evidencing this review and are satisfied that this in place. Nevertheless, this represents a control deficiency which the Council is willing to tolerate but which we took consideration of in our approach by increasing the number of journals selected for review. We identified no instances of management override from this review. Furthermore, in the 2022/23 audit, we reported that a senior officer (which we defined as being Chief Accountant and above) had posted to the ledger by proxy (ie by asking another officer to post something on their behalf, something that they themselves had prepared). We would usually not expect senior officers to be posting to this ledger and therefore considered this to be an override of control. We did not identify any similar instances of this in 2023/24. **Conclusion** We have concluded our work in respect of this risk and have no further findings to report. We are satisfied that we have obtained sufficient assurance.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Closing Valuation of land and buildings, and surplus assets

The Council is required to revalue its land and buildings on a rolling, five-yearly basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.

Within the valuation of the Council's Other Land and Buildings, the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. These include the build cost of relevant assets carried at depreciated historic cost and any judgements that have impacted this assessment and the condition of the current assets.

For assets valued at existing use value and fair value, the key inputs into the valuation are the yields used in the valuation, including estimated future income from the asset.

We therefore have identified that the accuracy of the key inputs and assumptions driving the valuation of land and buildings, and surplus assets, as a significant risk.

Commentary

We have:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding
- engaged our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Assets valued at depreciated replacement cost (DRC)

As noted in our audit plan and above, our approach to assessing the reasonableness of management's valuation of assets includes an evaluation of the assumptions applied to the calculation of the estimate. We identified that within every DRC valuation, the valuer had applied build costs that had been weighted to Leicester, whilst also applying a location factor of 2% to adjust the costs to be Leicester specific. This effectively double counted the application of the location factor which overstated every DRC valuation by a £TBCm. This has been adjusted by management and has been reported in Appendix D.

Another such assumption applied is the obsolescence factor, (to recognise that an asset loses value over time). When reviewing the evidence for DRC assets we identified that the valuer in the current year had continued to use the same base year in the scale published by the VOA in 2023. We challenged the valuer on the appropriateness of this, because in effect there had been one year of additional obsolescence to apply based on the ages of the assets. In the current valuer's view, it would be appropriate to use 2023 as the base year for the 31 March 2024 valuations as in their view the year 2023 is effectively up to 31st December 2023 which is closer to the 31 March 2024 year end, than 31 March 2023. We did not deem this to be unreasonable. However, this therefore means that there is in an inconsistency with the 15 revalued assets in the prior year that used 2023 as the base year. We have assessed the impact of this and the opening 23/24 (prior year closing) valuations to be understated by £1.503m. We have assessed there to be a highly trivial impact on 2023/24 closing balances due to the revaluations in year therefore this has been reported as a disclosure misstatement within Appendix D.

Capital expenditure not adding value

The Council has a policy to recognise capital expenditure in year even though it is not considered to add value to the asset. The asset is then revalued downwards to offset the value of the capital expenditure incurred. In consecutive years we have identified that management has incorrectly processed the accounting treatment for the downward revaluation of capital expenditure deemed to be not adding value. Management should review their processes to ensure accounting for these transactions are compliant with the Code. Specifically, that charges to the revaluation reserve are made where appropriate, or if the spend is to replace a specific component, then a derecognition of the old component should be recognised, which we have raised this as a recommendation in appendix D. The impact is that charges to the revaluation reserve are understated by £1.071m, and charges to the CIES are overstated by the same amount. This is a classification misstatement within the PPE note and unusable reserves, which has therefore been reported in appendix D as a disclosure misstatement. There is a risk that if this treatment occurs in future years there may be cumulatively material misstatements.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Continued	<u>Assets not subject to full revaluation</u> As per the Code, management should ensure that the carrying value of non-current assets are not materially different to the current value at the balance sheet date. To mitigate this risk, they engaged the valuer to perform a desktop valuation of assets not subject to full revaluation in year (80% of the population). This was done by applying an index to the value of these assets in the prior year audited accounts. We challenged the valuer on their use of RPI inflation, as opposed to published indices that were specific for building and land valuations. The valuer agreed that it was appropriate to update the process to use specific property indices for the buildings, which we reviewed and are satisfied was a reasonable basis to produce the estimate. This has resulted in a £TBCm movement in the value of the OLB and Surplus asset closing balances subject to indexation which has been reported as an adjusted misstatement in appendix B. The valuer assessed that there was not an appropriate index to apply to the Council's land assets, because in their view the carrying value would not be materially different from the current value when assessing potential market movements in year. To conclude on the relevance and reasonableness of management's findings in respect of assets not revalued at the year end and their consistency with other available audit evidence, we applied market indices independently obtained and assessed that the potential movement in land not subject to revaluation would be £4.044m. We also reviewed other assets that were not subject to full revaluation or indexed and identified potential differences of £1.040m. These differences are not material individually or cumulatively and provides assurance that there is not a material risk associated with assets not revalued. We deem this to be an acceptable level of estimation uncertainty. Also, the Code states that valuations of PPE shall be carried out at intervals of no more than five years. In our review of assets not revalued in year, we identified £937k of assets that had been last valued longer than a period of five years. We deem this to be a deficiency so and has been reported as such within Appendix B. <u>Assets valued at Existing use value (EUV)</u> We selected a number of assets for detailed testing and identified that in most cases, the valuations in the draft accounts included separate valuations for buildings and land, as opposed to apportioning out a land element for accounting purposes. We did not deem this to be appropriate because in many cases the two assets are not separately identifiable, and it would not be appropriate to give them distinct valuations. This was consistent with RICS guidance. The valuer agreed to amend all the EUV asset valuations in year, to be consistent with RICS guidance. This resulted in £TBC. <u>Assets selected for detailed testing</u> After receiving the amended valuations for DRC and EUV assets, which we subjected to detailed testing, we identified errors cumulating in an understatement of £899k which are to be adjusted and are reported in appendix D, and £89k which is to be unadjusted on the basis of it being trivial. Within these misstatements we have identified errors that we have assessed could indicate a risk similar errors in assets across the valuation; for example, inaccurate rents, GIA, or land site area. If we assume the error rate to be indicative of the population as a whole this would suggest that the value of PPE assets is understated by £TBCm. We have reported this as an unadjusted misstatement in Appendix D. **Conclusion** We have concluded our work in this area and have no further findings to report - TBC

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Presumed risk of fraud in revenue recognition ISA (UK) 240 Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	As communicated in our Audit plan we have presumed risk of fraud in revenue recognition, and there has been no change to our assessment. We have still undertaken a significant level of work on the Council's revenue streams, as they are material. We: • evaluated the Council's accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code • updated our understanding of the Council's business processes associated with accounting for income • agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence. • conducted substantive analytical procedures in relation to income for national non-domestic rates and council tax • sample tested grants income to supporting information and subsequent receipt, considering accounting treatment where appropriate. **Findings** Our findings below are not in relation to our work on the risk of fraud in revenue recognition, but are a response to the other work we have set out above, given the material revenue streams in place at the Council. <u>Debtors</u> In our testing of the Council's debtors balance we identified a credit entry of £630k which should have been classified as a creditor. If we assume the error rate to be indicative of the population as a whole, this suggests that the value of short term debtors is understated by £1.108m, with corresponding overstatement of creditors. This is reported in Appendix D as an unadjusted misstatement in 2023/24 but will not impact upon resources available to the Council. <u>Fees, charges and other service income</u> We identified mis-posting of adjustments in our income transaction testing, posted in the closedown period, to net internal income codes to nil. We identified that income and expenditure are both understated by £992k. We isolated this error to year end consolidation entries which intend to remove the impact of internal income and expenditure from the financial statements. We performed further work to assess whether there is a wider risk, and did not identify additional risk of misstatement. This is reported in Appendix D as an unadjusted misstatement in 2023/24 but will not impact upon resources available to the Council. **Conclusion** As noted above, there are errors that have been identified in our testing of revenue, though none of the errors identified are considered to be indicative of fraud, which would require our response to the presumed risk of fraud in revenue recognition to be revisited.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Commentary
Risk of fraud related to expenditure recognition PAF Practice Note 10 In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.	Having considered the nature of the expenditure streams of Leicester City Council, and on the same basis as that set out above for revenue, we reported in our audit plan that we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition. We have revisited this assessment during our work and have not amended our conclusion. Notwithstanding that we have rebutted this risk, we have still undertaken a significant level of work on the Council's expenditure streams, as they are material. We: Expenditure • updated our understanding of the Council's business processes associated with accounting for expenditure • undertook procedures to assess whether relevant controls were implemented as designed • agreed, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence We also designed tests to address the risk that expenditure has been understated, by not being recognised in the current financial year. **Conclusion** We have not identified any findings in relation to the risk of fraud related to expenditure recognition. However, we have reported our findings pertaining to our testing of expenditure on page 16.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Valuation of the pension fund net liability/surplus

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework).

Typically, the pension fund net liability/surplus is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. However, recognised on the balance sheet at 31 March 2024, the funded scheme is £0, and the unfunded scheme is £34.355m. The council has had to consider the potential impact of IFRIC 14 - IAS 19 -the limit on a defined benefit asset. Because of this we have assessed the recognition and valuation of the pension asset as a significant risk.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.
A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

We have:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund balance is not materially misstated and evaluated the design of the associated controls
- evaluated the instructions issued by management to their management experts (the actuary) for this estimate, and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation
- assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liabilities
- tested the consistency of the pension fund balance and disclosures in the notes to the core financial statements with the actuarial reports from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.
- considered how the Council has applied the requirements of IFRIC14 in its accounting treatment of the net pension asset
- obtained assurances from the auditor of the Leicestershire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund's financial statements.

Findings

The pension fund auditor reported:

- an overstatement of assets due to the actuary's use of an estimated rate of return to calculate the fund's assets. The Council's share of this is £6.392m.

- an understatement in the valuation of assets, and the Council's share of this is £1.245m.

- an overstatement of the benefits paid figure of £5.611m, which has a net nil impact on the net asset/liability calculation, because gross assets and gross liabilities are both reduced by this amount.

We have conducted our own analytical procedure on the pension assets and were satisfied with all conclusions drawn. Due to the asset ceiling adjustment, the misstatements do not impact the primary statements and are instead a classification adjustment within Note 42. We do not consider these findings to be material individually, however we note that cumulatively Note 42 would be materially misstated, therefore management have opted to amend the £5.611m misstatement in relation to benefits paid.

Conclusion

We have concluded our work in this area and have no further findings to report.

2. Financial Statements: other risks

Risks identified in our Audit Plan	Commentary
Valuation of Council Dwellings The Council contracts an expert to provide annual valuations of council dwellings based on guidance issued by the Ministry of Housing, Communicates and Local Government (now Department for Levelling Up, Housing and Communities). They are valued using a beacon approach, based on existing use value discounted by the relevant social housing factor for Leicester. Dwellings are divided into asset groups (a collection of property with common characteristics) and further divided into archetype groups based on uniting characterises material to their valuation, such as numbers of bedrooms. A sample property, the "beacon" is selected which is considered to be representative of the archetype group and a detailed inspection carried out. The valuation of this asset is then applied to all assets within its archetype. The key inputs into the valuation are the social housing factor, consideration of market movements and the determination of the beacons. We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a risk of material misstatement requiring appropriate audit consideration.	We have: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work • undertook procedures to assess whether relevant controls were implemented as designed • evaluated the competence, capabilities and objectivity of the valuation expert • written to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding of relevant market data • engaged our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations • tested revaluations made during the year to see if they had been input correctly into the Council's asset register • tested a selection of non-beacon assets to ensure the most appropriate beacon/archetype has been applied • evaluated the assumptions made by management for those assets that had an indexation applied to the carrying value during the year. Conclusion We have concluded our work in this area and have no findings to report. We are satisfied from the work completed the valuation of Council Dwellings is free from material misstatement.

2. Financial Statements: other risks

Risks identified in our Audit Plan	Commentary
Completeness of operating expenditure and creditors Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses. Management uses judgement to estimate accruals of un-invoiced costs. During the course of the four previous audits, there have been instances of expenditure not being accrued for which has led to further testing being conducted to ensure that no material misstatement existed. We therefore identified completeness of non-pay expenses as a risk of material misstatement requiring appropriate audit attention.	We have: • evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness • gained an understanding of the Council's processes for accounting for non-pay expenditure • assessed whether relevant controls were implemented as designed • tested a sample of balances included within trade and other payables • tested a judgemental selection of payments and invoices received immediately after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period. • tested a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period. **Findings** Payments made post year-end We selected the payments made by the Council after the year end for testing that were deemed to have the highest inherent risk of misstatement. We identified one payment for a library vehicle, which related to 2023/24, that had not been accrued for. We were advised that the original order had been raised two years prior to the receipt of the vehicle so had been closed in a review of old purchase orders. A new order was raised when the vehicle was eventually delivered but this was raised too late for the automated accrual exercise and the service area omitted to send a manual accrual for this item. We conducted further testing on the population aligned with the risk on which this payment was selected (payments made to suppliers in May, that were not paid in April) and did not identify any further instances of expenditure being understated. Invoices received post year-end We selected the invoices received by the Council after the year end for testing that were deemed to have the highest inherent risk of misstatement. We identified three invoices received that related to 2023/24 which had not been accrued for, totalling £557k. We conducted further testing on the residual population of invoices not previously identified for testing and identified one further error of £51k that had not been accrued for. When evaluating the results of the testing on the residual population, this projected a misstatement of £1.890m, that suggests expenditure is understated by this amount. **Conclusion** Overall, we have identified that expenditure is understated by £223k, £557k, and a further projected misstatement of £1.890m. This has been reported in Appendix D. We have also raised a recommendation in Appendix B that the Council implement a process to ensure that goods or services that have been provided are routinely identified in a timely manner, to ensure the financial statements are complete.

2. Financial Statements: other risks

Risks identified in our Audit Plan	Commentary
Completeness, existence and accuracy of cash and cash equivalents The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position. Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk of material misstatement requiring appropriate audit attention.	We have: • agreed all period end bank balances to the general ledger • agreed cash and cash equivalents to the bank reconciliation • inspected the breakdown of reconciling items and confirmed the value to be trivial quantitively and qualitatively • obtained the bank reconciliation for the following month end and reviewed the reconciling items against those included on the period end bank reconciliation • written to the bank and obtained a bank balance confirmation independently • agreed the aggregated cash balance to the relevant financial statement disclosures. **Findings** As part of our work, we tested school balances that feed into the disclosed cash and cash equivalent balance to ensure that they are accurate and exist. To ease with closedown pressures, the Council determined the value of the schools' bank balances to be included in the financial statements as at the end of February rather than March. We compared the February values used in the financial statements to the bank confirmations we received independently from the banks. We identified a total variance of £3.892m between the bank confirmation and the value per the financial statements, with the cash balance in the financial statements being overstated. This is included in Appendix D as an unadjusted misstatement. In the prior year we raised a recommendation for the Council to revisit the closedown process in this regard to ensure that the 31 March cash balances are recorded in the accounts, which we do not deem to have been appropriately addressed. This is included in Appendix C. We are in the process of investigating what the total level of misstatement of the population might be, based on this sample, and have asked officers to undertake further work. **Conclusion** We have concluded our work in this area and have no further findings to report.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building (including Surplus asset) valuations – £TBCm	Other land and buildings comprises approx. TBC% of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (approx. TBC%) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end., with the balance being surplus assets. The Council uses its internal valuation team to complete the valuation of properties as at 31 March 2024. Approximately 20% of total assets were revalued during 2023/24. Management has considered the year end value of non-valued properties and has not identified indications that the valuation of these assets has changed by a material amount, which would warrant further formal valuations being undertaken. Management mitigated this risk by engaging with the internal valuer to apply an index to the assets not subject to full revaluation. The total year end valuation of land and buildings (including surplus assets) in the audited accounts is £TBCm, a net movement of £TBCm from 2022/23 (£1,293m).	We have engaged our own valuer to assist with our work and challenge in this area, who has raised questions which we have used to inform our audit queries. We have considered the movements in the valuations of individual assets and their consistency with indices provided by Montague Evans as our auditor's expert. We have considered the completeness and accuracy of the underlying information used to determine the estate. We have discussed the appropriateness of the indices and assumptions used by the Council's valuer and have identified errors as set out on pages 10 an 11. We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council, but given the errors identified, continue to recommend that the Council improve its quality control processes in this area.	We consider management's process is appropriate subject to actioning the recommendation we have raised.

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Assessment

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

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Buildings – Council Housing - £1,217m	The Council owns 19,370 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties. 20% of the housing stock is subject to a full revaluation each financial year. The remaining 80% is indexed under a desktop valuation methodology. The Council has engaged Wilks Head and Eve LLP to complete the valuation of these properties. The year end valuation of Council Housing was £1,217m, a net decrease of £13m from 2022/23 (£1,230m).	• We challenged the Council on why it is deemed appropriate to apply the revaluation accounting treatment to the asset base as a whole rather than individual assets. The response is that Council Dwellings are held in a separate data system and that the valuation is done by an external valuer based on the beacon valuation system. Due to the sheer volume of assets involved and because all assets are revalued in year, the bottom-line result of the Housing Revenue Account (HRA) system is what is included in the accounts. We have reviewed relevant guidance which confirms it is permissible for revaluations to be applied at the asset group level and are therefore satisfied that management's approach is not unreasonable. • We have reviewed the indices applied against appropriate market data obtained by the audit team independently. This identified a difference of £1.8m to the indexation movement applied by the valuer, which we have assessed to be an immaterial level of estimation uncertainty, based on timing differences in obtaining the market data. We are satisfied that the method to index used by the valuer is appropriate. • We have gained assurance over the completeness and accuracy of the underlying information used to determine the estimate. We have done this by testing a selection of non-beacon assets to ensure the most appropriate beacon/archetype has been applied and agreeing the property listing to the rent roll reconciliation and the housing rents system. • We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.	We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

2. Financial Statements: key judgements and estimates

Significant judgement or estimate

Funded scheme net pension liability /(surplus) – £0m

Unfunded scheme net pension liability – £34.355m

IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments.

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Summary of management's approach

The Council is disclosing a £nil net pension liability, for the funded scheme, at 31 March 2024.

The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from the scheme to which it contributes, which is the Leicestershire County Council Local Government defined benefit scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements. There has been a £56.5m net actuarial gain during 2023/24, which has been effectively offset by the asset ceiling adjustment.

Audit Comments

- We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council.
- We have used the work of PwC, as auditors' expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Leicestershire County Council Pension Fund valuation as it applies to Leicester City Council.

Assumption	Actuary Value	PwC range/conclusion	Assessment
Discount rate	4.85%	4.80% – 4.85%	Satisfactory
Pension increase rate	2.75%	2.75% - 2.80%	Satisfactory
Salary growth	3.25%	2.75% - 3.75%	Satisfactory
Life expectancy – Males currently aged 45/65	45: 20.7 65: 21.5	Actuary approach is reasonable	Satisfactory
Life expectancy – Females currently aged 45/65	45: 23.7 65: 25.1	Actuary approach is reasonable	Satisfactory

- We have reviewed management's assumptions around the decision to limit the surplus recognised on the balance sheet, and we are satisfied the treatment is in line with IFRIC 14 and CIPFA Bulletin 15.
- No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate.

Assessment

We consider management's process is appropriate and key assumptions are neither optimistic or cautious.

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas. For further detail of the IT audit scope and findings please see separate 'IT Audit Findings' report.

			ITGC control area rating			
IT application	Level of assessment performed	Overall ITGC rating	Security management	Technology acquisition, development and maintenance	Technology infrastructure	Related significant risks/other risks
Unit 4	Detailed ITGC assessment (design effectiveness only)					No significant deficiencies identified. See IT Audit findings report, presented alongside this report for more detailed findings.
Active Directory	Detailed ITGC assessment (design effectiveness only)			N/A	N/A	No significant deficiencies identified. See IT Audit findings report, presented alongside this report for more detailed findings.

Assessment

- Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Not in scope for testing

2. Financial Statements: Information Technology

We also performed specific procedures in relation to the cyber security breach incident during the audit period. We observed the following results:

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IT system	Event	Result	Related significant risks/ risk/observations
Active Directory	Cyber security breach	As part of our risk assessment procedures, we reviewed the design and implementation of cyber security controls during the financial year. Our Cyber & Digital Investigations team at Grant Thornton held meetings with Officers to assess whether: - there is ongoing risk to the financial systems or integrity of financial data used in the audit because of the incident. We identified no ongoing risk to take into account of the result of the attack, based on the nature of the breach. - there is a risk of significant financial fine being issued by the ICO. They concluded that this was unlikely. - there is ongoing risk of legal action resulting in material costs to LCC. They concluded that this was unlikely.	This review included an assessment of the likelihood and size of any fine from the Information Commissioners Office (ICO), any ongoing risk to the financial systems or integrity of financial data and the potential for legal action and/or commercial sanctions to be taken against the Council. Our review has concluded that the risk that the Council is exposed to is minimal and any legal action will not be material. We also note that the ICO have formally closed their investigation with regards to the incident and therefore the Council is not exposed to the risk of a fine. Whilst we have assessed that cyber security controls at the Council are overall designed effectively; we identified that the cyber security controls were not implemented as designed in relation to an isolated instance of human error.

2. Financial Statements: Digital Audit

We have invested significantly in our digital tools and our audit approach is underpinned by a suite of tools, enabling us to capture and analyse the detailed data contained within the general ledger. This supports more efficient and effective testing, with a focus on higher risk areas and unusual transactions. The ability to obtain full ledger data quickly and effectively is key to the progress of audit work, as is documentation of the Council's methodology for mapping code structures to the financial statements and use of off-ledger adjustments. Difficulties and delays in obtaining data adversely impact on the scheduling and delivery of the audit and it is important that management engage with the audit teams to understand the requirements for data transfer, providing a clearly documented understanding of how financial statement entries are produced from underlying ledger and a timetable for doing so.

We requested several reports/documents from the Council to aid with this and these are summarised in the table below along with comments on delivery.

Document requested	Date requested	Date received	Comments
Closing trial balance for 2023-24	2nd July 2024	2nd July 2024	The data was delivered on time, and it was complete.
All general ledger transactions during 2023-24	2nd July 2024	2nd July 2024	The data was delivered on time, and it was complete.
Draft accounts for 2023-24	1st July 2024	28th June 2024	We note that the deadline for the publication of the draft accounts was 31st May 2024. Based on conversations with management, the delay in publication was largely due to the impact of the cyber breach, and it was agreed with management that the audit would commence on the 1st July to account for this.

2. Financial Statements: other communication requirements

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

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Governance and Audit Committee and have not been made aware of any incidents in the period other than those which are reported to Committee from the local counter fraud services. No issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. However, in Appendix B, we have raised a recommendation that Register of interests should be complete and up to date for the financial statement preparation. Management should introduce their own completeness checks to ensure all appropriate bodies are considered for disclosure when preparing the accounts.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, which is presented alongside this report.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to organisation with which it banks, invests and borrows. This permission was granted, and the requests were sent. The requests were returned with positive confirmation.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements in relation to accounting policies, but we identified some changes to disclosures which are set out in Appendix D. We have also reported recommendations in Appendix B with regards to accounting for accruals, and capital accounting entries.
Audit evidence and explanations/ significant difficulties	We continue to encounter challenges in obtaining robust evidence supporting the Council's valuations of its other land and buildings. We continue to recommend that the rationale behind judgements and assumptions applied is evidenced and documented as the valuations are produced. If this process had been in place in respect of the valuations for the year ended March 2024, it is likely that significant time and effort could have been saved on the part of the audit, finance and valuation teams.

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

<table>
<tr><th>Issue</th><th>Commentary</th></tr>
<tr><td>Going concern</td><td>
In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.
Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:

the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities
for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report.

Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:

the nature of the Council and the environment in which it operates
the Council's financial reporting framework
the Council's system of internal control for identifying events or conditions relevant to going concern
management's going concern assessment.

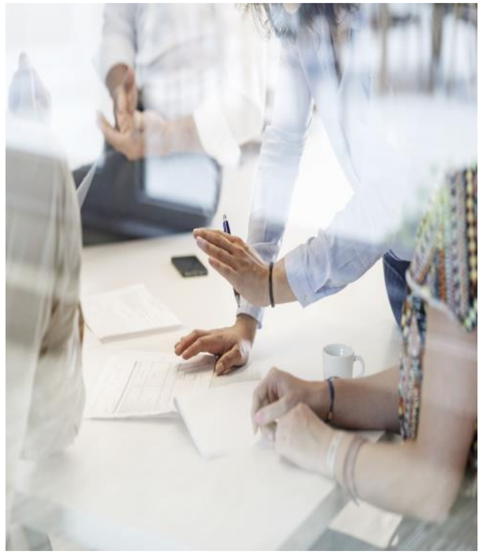
On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:

a material uncertainty related to going concern has not been identified
management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

</td></tr>
</table>

2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. We have reported a significant weakness in arrangements to secure value for money. The Auditor's Annual report is presented alongside this report, however the findings also summarised on pages 27-28.



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2. Financial Statements: other responsibilities under the Code

Issue	Commentary
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA audit instructions. The new Code of Audit Practice has now been published, alongside updated Auditor Guidance Notes. While the threshold for WGA procedures has remained at £2bn, the NAO is taking the option to ask additional questions for a sample of audits after our opinion is issued. We are satisfied that this work would not have a material effect on the financial statements for the year ended 31 March 2024.
Certification of the closure of the audit	We cannot certify the closure of the 2023/24 audit until the 2022/23 audit is certified as closed, which was delayed due to ongoing work in response to an objection from the prior year. Also, due to the changes in the NAO instructions issued to us as part of WGA procedures.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

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

Financial Sustainability

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

Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. The significant weakness we identified is detailed in the table below, along with the procedures we performed and our conclusions. Our auditor's report will make reference to this significant weakness in arrangements, as required by the Code, which is presented alongside this report.

Significant weakness identified	Procedures undertaken	Conclusion	Outcome
Financial Sustainability The Council is facing significant challenges in both delivering its 2025-26 budget and the subsequent years of its medium-term financial plan. There is serious risk that the Council may have to issue a s114 notice (effective bankruptcy) in the period and our report last year highlighted this fact. Therefore we have rolled forward our key recommendation from the prior year.	In addition to our financial statements audit work, we perform a range of procedures to inform our value for money commentary: • Review of Council, Cabinet and committee reports. • Regular meetings with senior officers. • Interviews with other members and management. • Attendance at Audit Committee • Considering the work of internal audit. • Reviewing reports from third parties including Ofsted. • Reviewing the Council's Annual Governance Statement and other publications.	Based on the work undertaken, we are not satisfied that the Council has proper arrangements in place to secure economy, efficiency and effectiveness in its use of resources in 2023/24.	We have raised a key recommendation: The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward: • The identification and delivery of savings that reduce the indicative budget gap in 2025/26 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic. • Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) • Considering how and when a credible plan can be developed for the rebuilding the reserves balance to ensure it can be replenished to provide financial security and cushioning in the future. Difficult decisions are likely to be required in future budgets. The Council should therefore ensure: • its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend, • where discretionary spend continues this spend can be managed within the available financial envelope whilst ensuring that statutory duties continue to be met, and • If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers).
In this context, we disclose the following to you:
We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Grant Thornton International Transparency report 2023.

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Group or investments in the Group held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Group as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Group
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Group's board, senior management or staff.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.. Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

4. Independence considerations

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified which were charged from the beginning of the financial year to January 2025, as well as the threats and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit claim	2021/22 - £62,100 2022/23 - £62,000 (estimate) 2023/24 - £62,000 (estimate)		
Certification of Teachers Pension Return	2021/22 - £7,500 2022/23 - £10,000 2023/24 - £12,500	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management threat	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work individually, and cumulatively £243,600 (spanning three financial years), in comparison to the total fee for the audit of £418,997 (22/23 audit £189,947 and 21/22 audit £173,447), and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
Certification of Housing capital receipts grant	2021/22 - £7,500 2022/23 - £10,000 2023/24 - £10,000		
CFO Insights Subscription	£15,625 (£12,500 per annum for 3 years)	Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) Management threat	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is £12,500 in comparison to the total fee for the audit of £418,997 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. We are not taking any managerial responsibilities at the client. The scope of work does not include making decisions on behalf of management. To mitigate against the self-review threat, the work is undertaken by a team independent of the audit team. The audit will consider the accounting treatment of the payments made and this is not part of CFOi service. There is not considered to be a significant self-review threat.
Non-audit related	£259,225		

These services are consistent with the Council's policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Audit Committee.

None of the services provided are subject to contingent fees.

Appendices

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	•	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	•	
Confirmation of independence and objectivity	•	•
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	•	•
Significant findings from the audit		•
Significant matters and issue arising during the audit and written representations that have been sought		•
Significant difficulties encountered during the audit		•
Significant deficiencies in internal control identified during the audit		•
Significant matters arising in connection with related parties		•
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		•
Non-compliance with laws and regulations		•
Unadjusted misstatements and material disclosure omissions		•
Expected modifications to the auditor's report, or emphasis of matter		•

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified four recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2024/25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Medium	**Completeness of income and expenditure** We identified a number of items through our audit procedures that have not been accrued for appropriately within the 2023/24 financial year. We have gained assurance there is not a material risk of misstatement but there is scope for larger errors to arise due to the accruals concept not being applied appropriately.	We recommend that the Council implement a process to ensure that goods or services that have been provided are routinely identified in a timely manner, to ensure the financial statements are complete. **Management response** This process will be reviewed for 2024/25.
Medium	**Accounting treatment of capital expenditure not adding value** In consecutive years we have identified that management has incorrectly processed the accounting treatment for the downward revaluation of capital expenditure deemed to be not adding value. Management should review their processes to ensure accounting for these transactions are compliant with the Code. Specifically, that charges to the revaluation reserve are made where appropriate, or if the spend is to replace a specific component, then a derecognition of the old component should be recognised. The impact of this is immaterial in 2023/24, however there is a risk that if this treatment occurs in future years there may be cumulatively material misstatements.	Management review their process to account for capital expenditure not adding value, in order to bring the treatment in line with accounting standards. **Management response** This process will be reviewed for 2024/25.
Medium	**Collection fund suspense accounts** We selected ledger codes to test that are classified as creditors in the financial statements. The Council could not provide evidence to support the existence or accuracy of these balances, because it was cash that had not been reconciled to an income or expenditure item. Whilst we acknowledge the Council are being prudent by recording this cash as deferred income, in our view suspense accounts should be cleared to nil at year end to ensure accurate reporting.	Suspense accounts should be cleared to nil at year end to ensure accurate reporting. **Management response** This process will be reviewed for 2024/25.
Medium	**Register of interests** Within our testing of the completeness of related party transaction disclosures, we performed a search on Companies house and identified interests that were not disclosed in the Councillor's, and Senior officer, register of interests. Whilst we were satisfied that there were no instances of related party transactions identified, there is a risk that the related party disclosure would not be complete in future years. We have reported in appendix D that the Council have over-disclosed related parties in the 2023/24 financial statements when considering the IAS24 definition.	Register of interests should be complete and up to date for the financial statement preparation. Management should introduce their own completeness checks to ensure all appropriate bodies are considered for disclosure when preparing the accounts. **Management response** This process will be amended for 2024/25.

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Revaluation programme** The Code states that valuations of PPE shall be carried out at intervals of no more than five years. In our review of assets not revalued in year, we identified assets that have been last valued longer than a period of five years.	Annually, management should review valuation dates on non-current assets and ensure they are valued at least every five years. **Management response** These will be included on the valuation list for 2024/25.

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Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Leicester City Council's 2022/23 financial statements, which resulted in 10 recommendations being reported in our 2022/23 Audit Findings report. We have followed up on the implementation of our recommendations and note five are still to be completed.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Segregation of duty conflicts within Unit 4** Administrative access to Unit 4 (via 'AG-SYSTEM' role) has been granted to users who have the ability to enter financial transactions. The combination of this and the ability to administer end-user security is considered a segregation of duties conflict. We recommended that: • Management should consider reviewing access rights assigned to all system users to identify and remove conflicting access rights. • Management should adopt a risk-based approach to create and reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business. • If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities [e.g. reviewing system reports of detailed transactions; selecting transactions for review of supporting documents; etc. This is a recommendation rolled forward from 2021/22.	During the 23/24 audit , while performing privilege access testing, we identified the same users have access to admin role. However, when we obtained the management response, it was confirmed these users are responsible for performing financial administrative tasks as part of their job roles. These users will not be responsible for conducting day in day out activities related to Financial Activities which was further reconfirmed based on the new Job Description and Job titles assigned to them. We performed targeted testing on journals posted by these users on the journals that appeared unusual or could be indicative of management override of control. These journals were confirmed to be posting of interface files which is in line with the job remit as administrative tasks and does not suggest an inappropriate use of access rights to post journals. We also confirmed that the journals identified for testing were appropriate and not indicative of management override of control.

Assessment

✓ Action completed

X Not yet addressed

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	**Valuation process of other land and buildings** We recommended in previous years that officers and the valuer ensure that the information used in the valuation process is the most up to date and in line with relevant guidance. We also recommended that the valuer documents robustly and in detail, the rationale behind assumptions applied as the valuations are produced, to ensure that an audit trail is readily available. This is a recommendation rolled forward from 2020/21.	We continue to encounter challenges in obtaining robust evidence supporting the Council's valuations of its other land and buildings. We continue to recommend that rationale behind judgements and assumptions applied is evidenced and documented as the valuations are produced, as well as being subject to quality control reviews to mitigate the risk of material and pervasive errors in the financial statements. If this process had been in place in respect of the valuations for the year ended March 2024, it is likely that significant time and effort could have been saved on the part of the audit, finance and valuation teams.
✓	**Valuation process of Council dwellings** We are aware of the timings needed in order to produce valuations and the valuer has historically used the most up to date information to estimate house price indices when preparing the financial statements. However, we have identified differences between the index values at the time of preparing the accounts and the audit, when more accurate information is available. We recommended that valuations determined using estimates are revisited when actuals are known, to provide additional assurance that there is no material misstatement. This is a recommendation rolled forward from 2021/22.	Management instructed the valuer to update the index values in April 2024 based on more up to date information. We confirmed that an appropriate index values were used in our comparison to market data obtained independently.
✓	**Terms of Engagement with valuers responsible for valuing Council Dwellings** We commissioned an auditor's expert to review the work done by the external valuer. They commented that there continues to be no reference to the valuation methodology to be used or the actual nature of the assets to be valued. They noted that the valuer set out the assumptions noting the accuracy of the beacon valuation is a major factor governing the quality of the housing stock valuation, but noted that the valuer did not confirm whether any properties were treated differently, ie whether special assumptions were applied. We recommended that these missing aspects are included in the Terms of Engagement in the future. This is a recommendation rolled forward from 2021/22.	We have commissioned an auditor's expert to review the work done by the external valuer. There were no similar challenges raised and therefore we consider this recommendation to be met.

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**De minimis policy** We identified that management have a de minimis policy of not accruing for any transactions below £1k. We gained assurance that the invoices raised, and invoices received under £1k received in March to April 2023 would not pose a risk of material misstatement if they were all not accrued for, due to the size of the populations in question. However, the last time management formally undertook such an assessment was in 2016/17. We recommended that this assessment is done on an annual basis to ensure that the conclusion that the accounts would not be materially misstated as a result of this policy, remains the case.	Management provided a record of their assessment of risk of material misstatement, which we reviewed and confirmed is consistent with our own work to assess this risk.
X	**Grants income** In gathering evidence in support of sample testing of schools' grants income, management advised that a double counting error had been identified relating to two of our sample items. This was also a reported error in our 2018/19 Audit Findings Report. Albeit several years apart, this was a very specific error to have recurred, and we therefore recommended that the Council revisits its processes in relation to the processing of schools' grants income to ensure that such double counting does not take place in future.	We identified a similar issue in the current year. UKSPG Grant income and associated expenditure had been double counted in the financial statements due to inappropriate accounting of internal allocations. This has been reported in Appendix D. Therefore, we do not consider this recommendation to be met.
✓	**Expenditure and Income Analysed by Nature** We identified in our testing that errors had arisen because of hard coding in this workpaper. This indicates that errors of this nature will continue to recur unless the workings are automated and hard coding removed. We recommended that this workpaper is fully automated, or subject to more robust quality assurance checks as part of the closedown process, so that such errors are avoided.	We did not identify similar issues in the current year audit and we were able to reconcile the Note to the trial balance. Therefore, we consider this recommendation to be met.

C. Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
Partial	**Journals process** It is not best practice for senior officers to be posting journals as it has the potential to remove a layer of review, authorisation and approval. We noted from the journals data that senior officers have not posted journals, but we identified evidence indicating that they have been posting to the ledger by proxy (ie by asking another officer to post something on their behalf, something that they themselves had prepared). Given that the Council has no automated authorisation process, this raises particular concerns, as it means that officers are posting journals prepared for them by more senior officers, who may then be responsible for the retrospective review of said journal. This has the potential to render the retrospective review ineffective and raises a segregation of duty concern, if the reviewer is reviewing their own work. We recommended that the Council revisit its journals process in respect of this practice and ensure that where officers are posting on behalf of someone else, that those journals are subject to separate review.	We did not identify any similar instances of senior officers to be posting journals in 2023/24. However there continues to be a lack of an established approval process for journals which places heavy reliance on the expectation for the Council's day-to-day activities to identify and correct any improper postings. The Council is aware of this, and officers perform retrospective review of a sample of journals posted. We have reviewed documentation evidencing this review and are satisfied that this in place. Nevertheless, this represents a control deficiency which the Council is willing to tolerate but which we took consideration of in our approach by increasing the number of journals selected for review. We identified no instances of management override from this review. We deem this recommendation to be partially met.
X	**Schools cash balances** For timing convenience, the Council use balances from February for schools as an estimate for the end of March position in the financial statements. We recommended that the Council revisit its closedown processes to ensure that the schools' cash balances as at the balance sheet date are appropriately reflected in the financial statements.	The Council has not taken any actions with regards to this recommendation. We have compared the February bank balances, to the bank confirmation letter at year end and quantified a misstatement £3.892m, which has been reported in Appendix B.
X	**Capital Additions - Goods Received Not Invoiced** We identified instances in our additions testing of capital accruals being overstated as the goods/services had not been received before 31 March. We recommended management ensure that capital accruals are reviewed to ensure that they are being based on actual goods/services received.	We identified instances of capital receipt income being overstated due to incorrect accruals being posted. We also identified an instance of a library vehicle being delivered that was not appropriately accrued for in 23/24. Therefore, we do not consider this recommendation to be met.

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D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Pooled budgets income and expenditure We challenged management to demonstrate that the income and expenditure disclosed in Note 30 Pooled Budgets had been correctly accounted for within the CIES. Management identified £25.781m of income and £25.781m of expenditure recognised in the CIES that should have been accounted for under the agent principal, as it was spend incurred on behalf of the Pooled budget that the Council was reimbursed for and therefore should have been excluded from the financial statements. There is also a corresponding reclassification of £0.63m in debtors to creditors to reflect the underspend in year. There is a corresponding misstatement within the prior year comparatives in the CIES for £18.642m. Income and expenditure are both overstated by this amount, therefore it has no impact on the General fund. As this is material it requires a prior period adjustment.	Income 25,781 Expenditure -25,781	Creditors -630 Debtors 630		
Continued overleaf..				

D. Audit Adjustments (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
OLB and Surplus revaluations We identified a number of errors through the course of our substantive testing which are outlined in detail on page X. This includes:				
- an adjustment to the location factor of DRC buildings, which was double counted		-10,724		
- revised indexation applied to assets not subject to full revaluation		TBC		
- adjustments to land/building apportionments of EUV assets where the land was not separately identifiable to the building		TBC		
- errors identified in the key inputs such as land area, rental income, yields and GIA.		TBC		
- with a corresponding impact on the CIES and Revaluation reserve	TBC	TBC	TBC	

Continued overleaf..

D. Audit Adjustments (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
<u>CIES</u> We identified mis-posting of adjustments in our income transaction testing, posted in the closedown period, to net internal income codes to nil. We identified that income and expenditure are both understated.	Expenditure 992 Income -992			
<u>Grant income</u> Management has identified an error in their accounting treatment for UKSPF grant income. The revenue grant has been recognised in full on one cost centre but allocations to other internal teams for projects funded by UKSPF grant have also been recognised in another cost centre so internal allocations of the grant have been double counted. This has resulted in an overstatement of income and expenditure by £0.889m	Income 889 Expenditure -889			
Overall impact	£TBC	£TBC	£TBC	£TBC

D. Audit Adjustments (continued)

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Adjusted?
Balance Sheet The Code requires that Revenue grants received in advance, recognised at £2.797m in Note 35, is reported separately on the Balance Sheet.	Management response This will be amended.
Note 2 The Note did not include a reconciliation between the Net Expenditure Charged to the HRA & General Fund Balance in the financial statements, to the values reported in the Outturn report presented to Members.	Management response This will be amended.
Note 4 The Note discloses critical judgements that are immaterial and do not represent critical judgements in with IAS1. The disclosures are not in compliance with the accounting standards and therefore should be removed.	Management response This will be amended. .
Note 5 The Note includes uncertainties that are immaterial and therefore should not be disclosed under IAS1. Also, the narrative on the Net Pension Liability does not explain the uncertainty within the assumptions and judgements over the next 12 months in relation to the recognition of nil value asset.	Management response This will be amended.
Note 9 The presentation of this Note is materially misstated in relation to the accounting treatment of Capital Grants recognised in year, within the Capital Grants unapplied account. The net impact of this issue on reserves is nil, but the presentation of the Note is not compliant with the Code. This also has a material impact on the prior year disclosure and a prior period adjustment is required.	Management response This will be amended.
continued overleaf….	

D. Audit Adjustments (continued)

Disclosure/issue/Omission	Adjusted?
Note 10 - Movement in earmarked reserves states the breakdown of earmarked reserves has been restated to reflect the headings reported to management. This presentational change is not explained to meet the requirements of Code 3.4.2.32.	Management response This will be amended.
Note 11 In our testing of this note, we have identified two classification misstatements: - £19.56m of Business rates pooling income have been recorded in Note 11 as Other operating income, but it would be more appropriately classified as Taxation and non-specific Grant income within Note 10. This also impacts the CIES presentation. - £1.384m of HRA recharges income have been recorded in Note 11 as Other operating income, but it would be more appropriate classified under HRA cost of services in the CIES. These misstatements have no impact on the General fund.	Management response This will be amended.
Note 15 – Revaluations We identified an OLB asset that was valued 31st March 2024 for £417k but is recorded as being last valued at 31st March 2023 within the disclosures. We also identified a Surplus asset that was valued 31st March 2024 for £1.747m but is recorded as being last valued at 31st March 2022.	Management response This will be amended.
Note 15 – OLB revaluations We challenged the valuer on the appropriateness of the obsolescence assumptions used, specifically the base year applied when comparing to the base year applied in the prior year valuations. We have gained assurance over the appropriateness of the valuer's assumptions in the current year. However, due to an inconsistency in assumptions between years, we have assessed the opening 2023/24 (prior year closing) valuations to be understated by £1.503m. We have assessed there to be a highly trivial impact on 2023/24 closing balances due to the revaluations in year.	Management response This will not be amended as it is not considered to be material.
continued overleaf….	

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D. Audit Adjustments (continued)

Disclosure/issue/Omission	Adjusted?
Note 15 When an asset's valuation decreases year on year, Code requirements are for any amounts pertaining to that asset in the revaluation reserve to be taken account out first and if that balance is extinguished to then take differences to the CIES. We identified a number of assets in the fixed asset register where this approach had not been applied. The impact is that charges to the revaluation reserve are understated by £1.071m, and charges to the CIES are overstated by the same amount. This is a classification misstatement within the PPE note. As this is the second year that we have identified this error we have raised a recommendation within Appendix B.	Management response This will not be amended as it is not considered to be material.
Note 15 – Highways Infrastructure The temporary relief offered by the Code for the non-disclosure of GBV and accumulated depreciation has not been applied, which is inconsistent with the narrative in the Note. Also, the disclosure includes unnecessary information in line with the temporary relief regarding the gross cost and depreciation for disposals and is not in line with the accompanying paragraph stating that the carrying amount disposed should be nil.	Management response This will be amended.
Note 15 – Revaluations The temporary relief offered by the Code for the non-disclosure of GBV and has not been applied, as the Note includes a value for the GBV of Infrastructure assets. Also, the note does not appropriately reflect the material NBV of infrastructure assets that are held on the balance sheet.	Management response This will be amended.
Note 15 – PPE disposals When non-current assets are disposed there is a requirement to calculate a gain/loss that is reported in the CIES. For two surplus assets there has been a partial sale of the land in year. The capital receipt has been recognised in the gain/loss calculation, but an associated disposal of the GBV has not been recognised. The value of the capital receipts are £6.962m in the current year, and £7.047m in the prior year, and management have assessed this to be equivalent to the GBV to recognise as a disposal. We deem this to be reasonable as Surplus assets are recorded at fair value annually. As surplus assets are revalued annually, this represents a classification misstatement between revaluations and disposals within the PPE Note, and in the CIES.	Management response This will be amended.

continued overleaf….

D. Audit Adjustments (continued)

Disclosure/issue/Omission	Adjusted?
Note 18a Management have recorded housing benefit overpayment debtors (£3.382m) as financial assets. We do not deem it appropriate to recognise these debtors as financial assets because they are non-contractual statutory debts, and they don't arise from an exchange of services or assets.	Management response This will not be amended as it is not considered to be material.
Note 18b We identified that £3,913k of investment income is classified under 'Other' but this income is from investments that are held under amortised cost therefore the presentation should be amended. Interest expense includes interest on pension liability £1,166k however this is not a financial liability as per CIPFA code 7.1.2.25 therefore should be excluded from this disclosure.	Management response This will be amended.
Note 18c The FV calculation of LOBOs is based on long term maturity date but are held on the balance sheet as short term. Whilst we are satisfied that the borrowings are correct be short term as the Council expects to settle the liability based on the option date, management should add a footnote explaining this difference to avoid misleading the reader of the accounts. The disclosure should include narrative to explain how the fair values have been determined for each category of asset and liability.	Management response This will be amended.
Note 18d Within the narrative, the expected credit loss value is disclosed £19.8m however this will need to be amended to exclude housing benefit overpayment debtor impairment of £2.9m, as this is not a financial asset and therefore an expected credit loss is not charged.	Management response This will be amended.
Note 27 In the testing of this disclosure, we identified that £1.731m of revaluation charges is classified as 'Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised', but it should be classified within 'Downward revaluations, impairment losses and reversal of prior year impairments'	Management response This will be amended. .
continued overleaf….	

D. Audit Adjustments (continued)

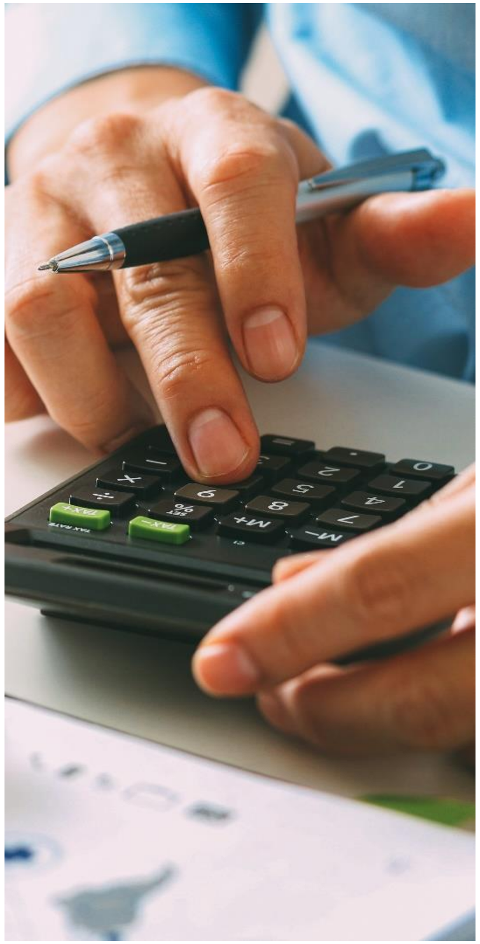
Disclosure/issue/Omission	Adjusted?
Note 28 The Note includes a line for ‘Other receipts from investing activities’ for £80.889m. As this is a material balance, it is appropriate to analyse this line further to ensure material information is not obscured.	Management response This will be amended.
Note 35 When agreeing the 2022/23 prior year figures to the prior year signed accounts. We identified two grants that were omitted in the current year accounts totalling £1.543m. This impacts the disclosure of prior year figures only.	Management response This will be amended.
Note 36 We have assessed that the related parties note includes transactions that do not meet the definition of a related party under IAS24 and the Code (ref 3.9.2.2). Whilst we are satisfied that management have over-disclosed for transparency, and we do not deem this to materially mislead the user of the accounts, we recognise this as not being compliant with IAS24.	Management response This will not be amended as it is not considered to be material.
Note 42 The Pension fund auditor has informed us that the actuary has used an estimated rate of return to calculate the Pension Fund’s assets. They have evaluated the impact as an overstatement of £6.392m for the Council’s share of assets. Due to the asset ceiling adjustment, this adjustment does not impact the primary statements and is instead a disclosure misstatement within Note 42.	Management response This misstatement does not impact the primary statements, due to the asset ceiling adjustment, and is therefore an immaterial classification misstatement only.
Note 42 The Pension fund auditor has informed us that when comparing the asset listing to confirmations, they identified a £4.226m misstatement. Apportioning this for the Council’s share of assets indicates that assets have been understated by £1.245m. Due to the asset ceiling adjustment, this adjustment does not impact the primary statements and is instead a disclosure misstatement within Note 42.	Management response This misstatement does not impact the primary statements, due to the asset ceiling adjustment, and is therefore an immaterial classification misstatement only.

continued overleaf….

D. Audit Adjustments (continued)

Disclosure/issue/Omission	Adjusted?
Note 42 The Pension fund auditor has informed us that the actuary has estimated the benefits paid figure within the actuary report. The data submitted to the actuary by the pension fund reported benefits paid of £58.692m. The actuary estimated a figure of £64.303m. There is a net nil impact on the net asset/liability calculation, because gross assets and gross liabilities are both reduced by this amount and does not impact the primary statements. This is instead a disclosure misstatement within Note 42.	Management response This will be amended.
Prior year comparatives In our review of the financial statements we identified that the following Notes required prior year comparatives to the same level as detail as current year figures: Note 15 – Capital commitments Note 18b - Financial Instruments - Gains and Losses Note 38 – Leases Note 39 - Private Finance Initiatives and Service Concession Arrangements Management should ensure prior year comparatives are included for all relevant Notes to ensure compliance with IAS1.	Management response This will be amended.
Other disclosures We identified a number of minor improvements required to other disclosures. This includes narrative amendments, formatting issues, and typos. None of which we consider merit in reporting separately to Those Charged With Governance.	

D. Audit Adjustments (continued)



Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Debtors In our initial testing we identified a credit entry of £630k which should have been classified as a creditor. If we assume the error rate to be indicative of the population as a whole, this suggests that the value of short term debtors is understated by £1.108m, with corresponding overstatement of creditors.		Debtors 1,108 Creditors -1,108			Not considered to be material and is a projected misstatement

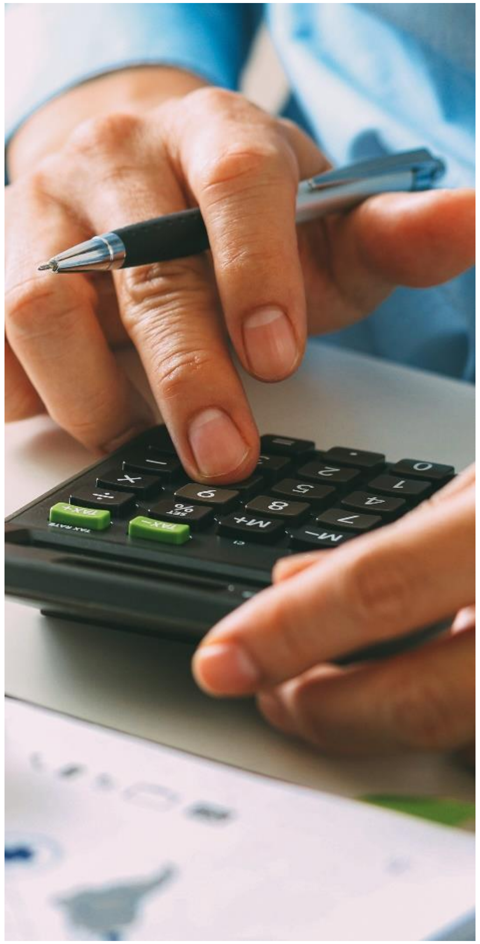
Continued overleaf...

D. Audit Adjustments (continued)

Impact of unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
CIES We identified three errors within invoices received post year end that relate to 23/24 but were not accrued for. It shows expenditure to be understated by £557k. We extended our testing, and in the residual population we identified a projected misstatement of £1,890k that suggests expenditure is understated by this amount. We identified one error within bank payments made post year end that relates to a good received in 23/24 that was not accrued for. It shows expenditure is understated by £223k.	557 1,890 223	-557 -1,890 -223	557 1,890 223	557 1,890 223	Not considered to be material.
Schools' cash balances Overstatement of cash balances as February balances were not updated to reflect March balances	3,892	-3,892	3,892	3,892	Not considered to be material.
PPE revaluations Extrapolation due to errors identified in assets where error could be indicative of further errors. If we assume the error rate to be indicative of the population as a whole this would suggest that the value of OLB and Surplus assets is TBC.	TBC	TBC	TBC	TBC	TBC
Overall impact	£TBC	£TBC	£TBC	£TBC	

D. Audit Adjustments (continued)



Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements. In determining our overall consideration of the impact of unadjusted misstatements on the 2023/24 financial statements, we have also considered the impact of these unadjusted misstatements from the prior year.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting	Impact of error on 2023/24 financial statements
Fees, charges and other service income In our initial testing we identified an invoice for £6.6k which related to 2021/22 but had been recognised as income in 2022/23. When projected across the population this leads to an extrapolated error of £3.087m. This means that if we assume that this error is representative of the population, when it is projected, there is a risk that fees, charges and other service income is overstated by £3.087m.	3,087	-3,087	3,087	3,087	Not considered to be material and is a projected misstatement	None

Continued overleaf…

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting	Impact of error on 2023/24 financial statements
PPE revaluations Extrapolation of £1,310k due to errors identified in a sample of assets with year-on-year movements in line with expectations. If we assume the error rate to be indicative of the population as a whole this would suggest that the value of existing use value assets is understated, with a notional corresponding increase to the revaluation reserve.		PPE 1,310 Revaluation reserve - 1,310			Not considered to be material and is a projected misstatement	We have obtained the assets on which this projected impact has been applied to in 2022/23, and identified the relevant the assets not subject to full revaluation in 2023/24 to which this projected impact would still apply to. This has reduced the projected impact on 2023/24 closing PPE balances to an understatement of £952k.
PPE additions Extrapolation due to incorrectly marking goods as receipted though they had not been. The impact is an overstatement of PPE, and an overstatement of Creditors. We consider there to be no impact on the 2023/24 financial statements.		PPE -3,534 Creditors 3,534			Not considered to be material and is a projected misstatement	None
Schools' cash balances Overstatement of cash balances as February balances were not updated to reflect March balances. We consider there to be no impact on the 2023/24 financial statements.	3,240	-3,240	3,240	3,240k	Not considered to be material	None
Overall impact	**£6,327k**	**-£6,327k**	**£6,327k**	£6,327k		

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fee	Planned fee	Final fee
Scale fee	391,427	391,427
ISA 315 *	12,550	12,550
Impact of cyber security breach *	-	5,000
Fee due to additional work in the areas of: PPE valuations, expenditure completeness, income completeness, fees and charges income, capital receipts, school cash *	-	10,000
Total audit fees (excluding VAT)	**£403,977**	**£418,977**

* All variations to the scale fee will need to be approved by PSAA

Non-audit fees for other services	Planned fee	Final fee
Audit Related Services comprising: • 21/22 pooling housing capital receipts grant delivered in year - £7,500 • 22/23 pooling housing capital receipts grant delivered in year - £10,000 • 23/24 pooling housing capital receipts grant which is ongoing - £10,000 • 21/22 teachers pension return delivered in year - £7,500 • 22/23 teachers pension return delivered in year - £10,000 • 23/24 teachers pension return delivered in 24/25 - £12,500 • 21/22 housing benefit work delivered in year - £62,100 • 22/23 housing benefit work which is ongoing - £62,000 (estimate based on prior year fee) • 23/24 housing benefit work which is ongoing - £62,000 (estimate based on prior year fee)	243,600	243,600 (estimated)
CFO Insights (12,500 per annum for three years)	15,625	15,625
Total non-audit fees (excluding VAT)	**£259,225**	**£259,225 (estimated)**

E. Fees and non-audit services

Total audit and non-audit fee

(Audit Fee) £418,977 - subject to PSAA approval.	(Non Audit Fee) £259,225

The fees payable to Grant Thornton do not reconcile to the financial statements. We have provided a reconciliation:

Fees per financial statements:
External Audit £404,000 (rounded). This aligns to the planned fee.

Fees payable for the certification of grant claims £84,000 (rounded), includes:
- 23/24 housing benefit £62,000,
- 23/24 teachers pension £12,500; and
- 23/24 pooling housing capital receipts grant £10,000.

Fees payable for other services £13,000 (rounded), includes:
- CFO insights £12,500

Reconciling items (Audit fees):
Impact of cyber security breach £5,000
Proposed additional fees due to extended testing £10,000

Reconciling items (certification of grant claims):
21/22 pooling housing capital receipts grant delivered in year - £7,500
22/23 pooling housing capital receipts grant delivered in year - £10,000
21/22 teachers pension return delivered in year - £7,500
22/23 teachers pension return delivered in year - £10,000
21/22 housing benefit work which was delivered in year - £62,100
22/23 housing benefit work which is ongoing - £62,000 (estimate based on prior year fee)

These services were considered in prior year financial statements.

Reconciling items (other services):
CFO insights element that has been billed in year relating to previous years - £3,215

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

None of the above services were provided on a contingent fee basis.

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ANNUAL ACCOUNTS

2023/24

Leicester City Council

CONTENTS

Introductory Statements

Narrative Statement

This report sets out to provide the context for the Council's financial statements and to demonstrate how the Council has achieved its desired objectives for 2023/24.

1. Introduction

Leicester City Council is a unitary authority in the East Midlands consisting of 54 councillors, representing 21 wards in the city, overseen by a directly elected City Mayor.

The Council's responsibilities are wide-ranging and include services it is legally required to provide (e.g. adult social care and waste collection) as well as discretionary services such as parks, open spaces and leisure centres.

Leicester City Council employs more than 11,000 staff, who are responsible for delivering services to a diverse range of customers. Examples of the areas in which they work are below:

- Neighbourhood and Environmental Services
- Adult Social Care
- Children's Social Care
- Housing
- Public Health & Sports
- Schools (over 40% of our employees work within schools).

During 2023/24 the Council faced increased costs, particularly relating to increased levels of demand for children's social care (£11.3m) and services to homeless households (£7.8m). While the final outturn for the year was a £1.7m underspend against budgets, this includes some one-off income items and does not fairly represent the significant financial pressures the Council is facing. The net call on the managed reserves strategy in year was almost £30m, and the reserves available to support future budgets are rapidly being depleted.

The underlying demand and cost pressures, which are recognised as national issues, are expected to continue into 2024/25 and will continue to put strain on the Council's finances. Without further action, the budget gap will grow in future years and available managed reserves will be exhausted.

Vision & Values

The vision of the Council is that we will operate with creativity and drive for the benefit of Leicester and its people. To achieve this, we have committed to five values:

- Confidence
- Clarity
- Respectfulness
- Fairness
- Accountability

The City Mayor's vision is for Leicester to be a proud, dynamic, diverse and innovative city; that unifies around a shared civic pride and identity; and that works together to tackle the threat of the climate emergency and the injustice of social and economic inequality, and as a result becomes a safer, happier, fairer place to live and work.

The vision is underpinned by ten priorities:

- Supporting People
- Supporting Communities
- A good home
- A good job
- Safe, clean streets
- Climate ready
- Our well-being
- Our children and young people
- Our quality of life
- Our care services

Some of the key outcomes from the Mayor's pledges in 2023/24 have been:

- Continued improvement in transport infrastructure through the Connecting Leicester programme;
- Investment in council housing;
- Planned investment of £45m to address the homelessness crisis and pressures on temporary accommodation in the city.

Narrative Statement

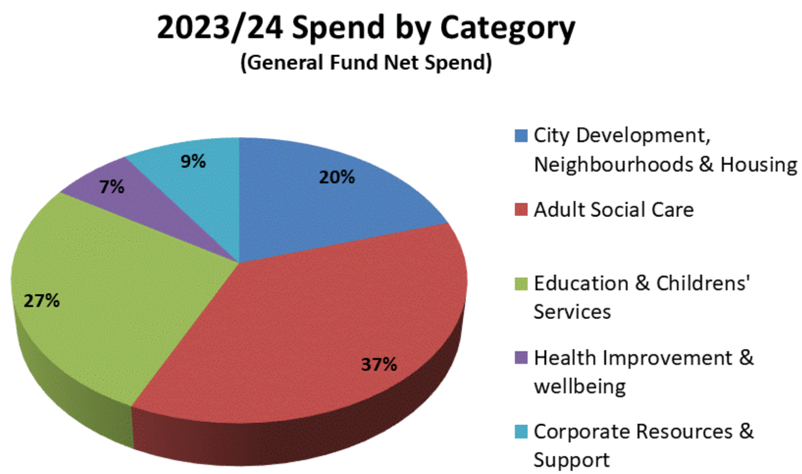
2. Financial Performance

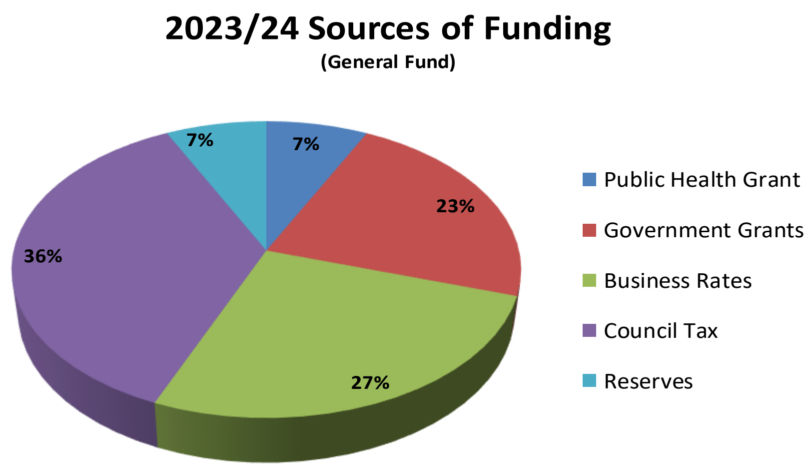
The budget for 2023/24 was set in an unprecedented and difficult financial situation. Following on from severe spending cuts for over a decade and the pandemic and cost of living crises, that put pressure on service spend and on income streams. It is positive to note the Council has managed to remain within its resources for this financial year.

Net expenditure on cost of services was £401m in 2023/24 and £443m in 2022/23. The chart to the right sets out the spend by General Fund service area.

The services above are funded through various resources as demonstrated below.

The Expenditure and Funding Analysis at note 2 in the accounts shows the relationship between the outturn position and what is reported in the Council's Comprehensive Income & Expenditure Statement.



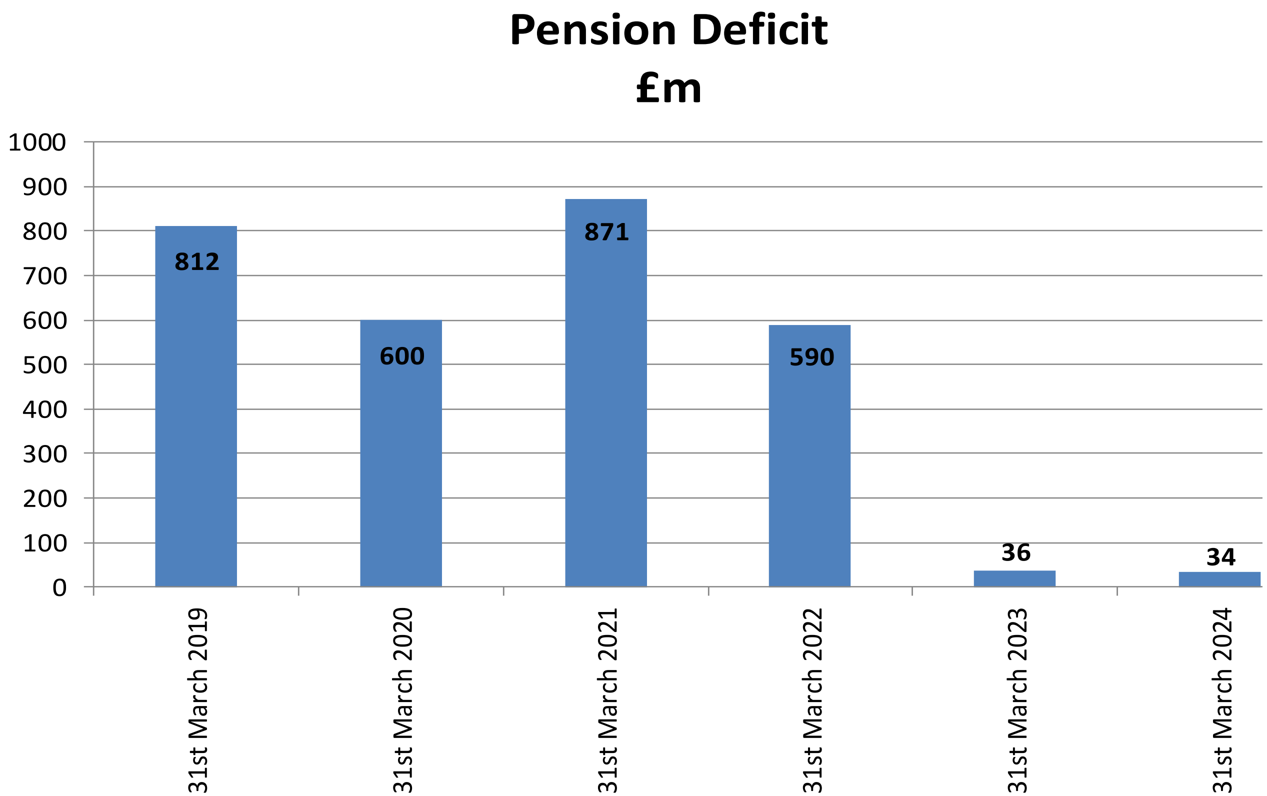


Narrative Statement

Pension Liabilities

The Council is a member of the Leicestershire local authority pension scheme. In common with many such schemes, the scheme position has recently improved, after showing significant deficits for several years. This represents the difference between expected investment returns and the cost of providing benefits to scheme members which have been earned to date, whilst also taking into account the contributions made by the Council.

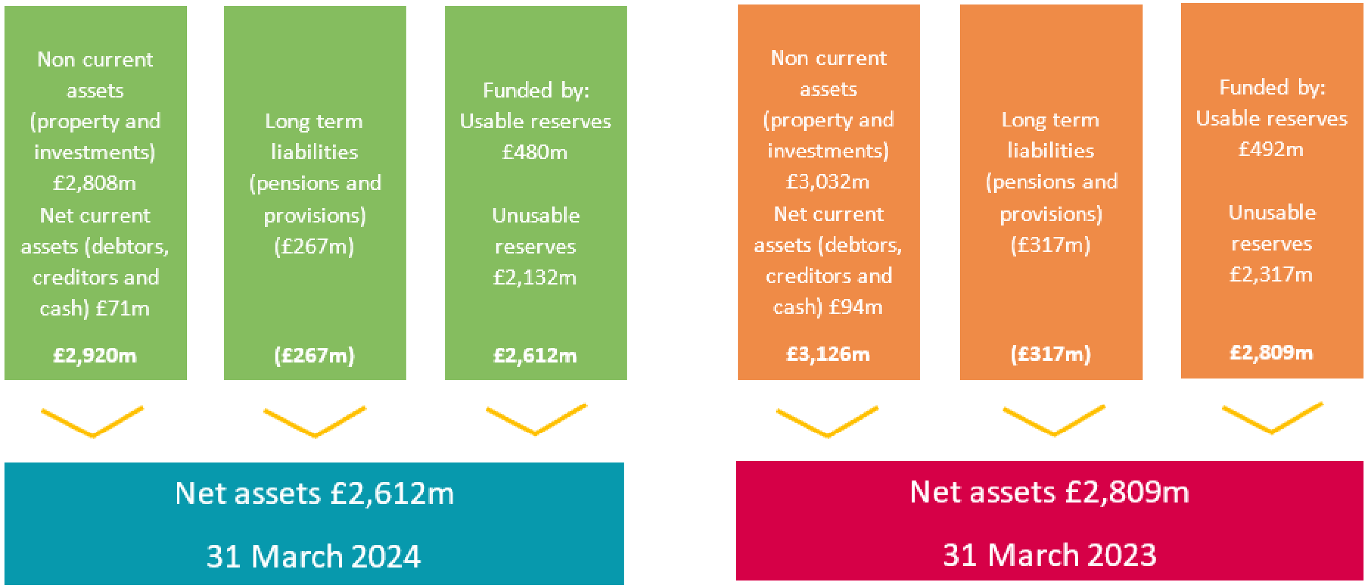
Variations between the years will occur, principally due to changes in assumptions made by the scheme actuaries about the growth of future liabilities and rates of returns on the fund's investments. The graph to the right illustrates the volatility that can occur on a year-by-year basis because of these changes, and hence the limited context in which annual movements should be viewed. This year the Council have a net asset on the pension fund, however due to asset ceiling accounting requirements the position shown in the accounts is a £34m deficit relating to unfunded liabilities. This is explained further in the pension fund disclosures in Note 42.



Narrative Statement

Net Assets

The Council maintains a strong balance sheet despite financial challenges, with net assets of £2,612m at 31st March 2024 (£2,809m at 31st March 2023).



Cash Flow Management

Cash management differs from budget management in that cash balances do not represent sums which could be used to support the budget.

The Council's treasury strategy is based on utilising cash balances to fund capital expenditure without the need to borrow.

Outstanding borrowing is kept under review; early repayment of £25m was made in the year, due to changes in market interest rates.

Cash & Cash equivalents at 31st March 2024 were £91m, which was £8m higher than the previous year, as a result of receiving government grants ahead of need. Some of the Council's cash balances are held on behalf of other organisations such as Leicestershire Fire Authority which are ultimately repayable. Cash balances can vary significantly on a day to day basis as grants are received and spent so it is prudent to maintain a level of cash that is readily available to manage the Council's business. Cash can also be used to repay debt, but Government rules usually make it too expensive to repay PWLB debt.

Narrative Statement

Capital

The Council has an ambitious capital programme aimed at regenerating the City, including:

- Neighbourhood works
- Levelling up schemes
- Council house improvements
- Additional school places
- Affordable Housing

Capital expenditure of £140m was incurred in 2023/24 compared to £144m in 2022/23. Details of the spending can be seen in the table.

The key projects within 2023/24 that are expected to continue during 2024/25 and beyond are Connecting Leicester scheme, redevelopment of Waterside, Leicester Market Redevelopment and our Levelling Up projects.

Capital Expenditure 2023/24		
Category	£m	Spending includes;
Planning, Development & Transport	58.5	Connecting Leicester, Waterside Strategic Regeneration area, Leicester Railway Station Levelling Up, Pioneer Park Levelling Up, Electric bus investment, Transport Improvement
Housing Revenue Account	39.8	Affordable Housing Acquisitions, Council House Improvements; including environment and communal
Schools	17.8	Schools' maintenance, additional Primary, Secondary and Send places
Tourism, Culture & Inward Investment	7.6	Jewry Wall Museum, Leicester Market Redevelopment, Pilot House Levelling Up & Growth Hub
Estates & Building Services	11.0	Energy Efficiency Technology, Property and Operational Estate Maintenance, Green Homes
Neighbourhood & Environmental Services	1.5	Waste vehicles, Western Park Sanitisation Tree Works, Reuse shop expansion and Parks & Open Spaces
Housing General Fund	3.3	Disabled facilities grant, Vehicle Fleet Replacement Programme
Other	0.5	Public Health schemes
TOTAL	**140.0**	

Narrative Statement

Leicester and Leicestershire Enterprise Partnership (LLEP)

The Council is the accountable body to the LLEP, which is formally constituted as a limited company although has remained dormant. Until 31st March 2024, the LLEP was a strategic body comprising local government and business leaders, together with senior education and third sector representatives. Its remit was to create economic prosperity in Leicester and Leicestershire. From 1st April 2024, and in line with Government policy developments, the core functions transfer to Leicester City Council and Leicestershire County Council. The City Council will act as the lead authority.

As the accountable body for the LLEP, the Council oversaw its finances. As at the 31st March 2024, the Council held £18.2m; the total is shown as a creditor in the balance sheet. The LLEP's operating income and expenditure is not included in the core statements of the Council. From 1st April 2024, all funds associated with the LLEP will be held by the Council directly as the lead authority.

The table below shows the total operating income & expenditure for the LLEP during 2023/24.

	2023/24
	£000's
Income	
Grants	253
Contributions	33
Fees, Interest and Other Income	966
National and Local Programme Income	1,582
Total income	**2,834**
Expenditure	
Staffing	703
Running Costs	237
Accountable Body Costs	154
Programme Delivery	1,351
Total expenditure	**2,445**
Net Surplus / (Deficit)	**389**

Narrative Statement

3. Governance

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 149) along with the significant risks facing the authority.

4. Looking Ahead

The Council has set a balanced budget for 2024/25, with a contribution from managed reserves and using General Fund balances. Further detail on the Council's long- term strategy can be found in the budget report, which is available on the Council's website.

However, the future outlook continues to be extremely difficult. In common with many authorities across the country, significant demand pressures in social care and support for homeless households are expected to continue. Whilst some new funding has been made available, it is insufficient to meet our forecast cost growth.

The Council is forecasting future substantial budget gaps and estimates that available managed reserves will run out part way through 2024/25 unless we make significant savings. Departments within the Council are working on achieving savings where possible, which is a continuous process, with identified savings being made throughout the course of the year.

In addition to the General Fund budget pressures highlighted above, the Dedicated Schools Grant (High Needs Block) budgets for children and young people with special educational needs and disabilities continue to be under severe pressure. These budgets have recorded a £3.7m overspend in 2023/24, resulting from unavoidable overspends, with the cumulative balance on the DSG deficit reserve being £9.6m. Under a "statutory override" available until 2025/26, this deficit does not reduce our General Fund reserves. However, we are preparing a deficit recovery plan, which all authorities are required to do, although it remains unclear how the situation is retrievable without further government support, given the continued increase in demand for these services.

The Council was subject to a cyber incident in March 24, further details of this incident and the risk are reported in the Annual Governance Statement.

Further detail on the risks facing the Council can be found in the Annual Governance Statement.

5. Conclusion

The Council expects to continue to operate within a reducing revenue budget envelope for the immediate future. With continuing demographic and needs led pressures, managing within its means whilst providing good quality services will remain the primary challenge to the Council.

The Council will need to continue to work to ensure that it uses its cash and fixed asset resources in the most efficient and effective way possible. This will be important in maximising available resources whilst operating with prudent financial disciplines.

Further details on the Council's organisational structure, corporate plans and strategic issues can be found in the Annual Governance Statement.

Narrative Statement

6. <u>Structure of the Statement of Accounts and Core Accounting Statements</u>

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31st March 2024. It comprises core and supplementary statements, together with disclosure notes. The format and content of the financial statements are prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2023/24. This is based on International Financial Reporting Standards adopted for use in the public sector context.
The Core Statements are:

- The **Comprehensive Income and Expenditure Statement (CIES)** – this shows the net cost of providing services. This statement is prepared on the accounting basis. The Expenditure and Funding Analysis compares the CIES with the level of income and expenditure which are taken into account when setting the annual budget and council tax, since certain amounts are disregarded under statute.

- The **Movement in Reserves Statement** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into usable reserves which can be used to fund future expenditure and unusable reserves which are maintained to meet statutory responsibilities.

- The **Balance Sheet** shows the Council's assets and liabilities at the year end. Net assets are matched by reserves which may be usable or unusable.

- The **Cash Flow Statement** shows the changes in cash and cash equivalents during the year and explains the reasons.

The Supplementary Financial Statements are:

- The **Annual Governance Statement** which provides an overview of the Council's key governance arrangements; along with updating readers on the conclusions of the annual review, including any changes and improvements that are being made.

- The **Housing Revenue Account** is a statutory ringfenced account relating to the provision of rented social housing.

- The **Collection Fund** which records all income and expenditure in relation to council tax and business rates and the redistribution to precepting authorities.

The notes to these financial statements provide more detail about the Council's accounting policies and individual transactions.

Group Accounts Preparation:

The Council has not identified any subsidiaries, associated companies or joint ventures in which it has material interest and therefore is not required to prepare group accounts.

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council 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 Council, that officer is the Section 151 Officer.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

These accounts are not yet approved by the Governance and Audit Committee.

Signed:

Chair of Governance and Audit Committee **Date:**

Statement of Responsibilities for the Statement of Accounts (continued)

The Section 151 Officer Responsibilities

The Section 151 Officer is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/ LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Section 151 Officer has:

- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

The Section 151 Officer has also:

- Kept proper accounting records, which were up to date;
- Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of the City Council and its income and expenditure for the year ended 31st March 2024.

Signed:

Independent Auditor's Report to the Members of Leicester City Council

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Core Financial Statements

Comprehensive Income and Expenditure Statement

The **Comprehensive Income and Expenditure Statement** shows the Council's actual financial performance for the year on the accounting basis, measured in terms of the resources consumed and generated over the financial period under the relevant accounting standards. This statement shows a deficit in 2023/24 of £196m.

Total comprehensive income and expenditure includes various transactions which illustrate aspects of the Council's financial position but do not impact on the 'bottom line' amounts chargeable to taxpayers, in particular gains on the revaluation of pension liabilities and gains on revaluation of property assets.

Restated 2022/23				2023/24		
Gross Exp £000	Income £000	Net Exp £000		Gross Exp £000	Income £000	Net Exp £000
209,128	(81,717)	127,411	City Development & Neighbourhoods	195,396	(86,837)	108,559
104,586	(84,451)	20,135	Housing Revenue Account (HRA)	93,818	(93,320)	498
199,440	(61,275)	138,165	Adult Social Care	211,844	(75,522)	136,322
36,584	(38,078)	(1,494)	Health Improvement & Wellbeing	38,383	(41,619)	(3,236)
431,969	(314,809)	117,160	Education & Children's Services	448,038	(315,153)	132,885
60,982	(17,911)	43,071	Corporate Resources & Support	56,128	(19,082)	37,046
73,038	(73,363)	(325)	Housing Benefits	73,875	(73,424)	451
93	(296)	(203)	Corporate Items	(3,279)	(359)	(3,638)
-	(517)	(517)	Capital Financing	-	(517)	(517)
1,115,820	**(672,417)**	**443,403**	**Cost of Services**	**1,114,203**	**(705,833)**	**408,370**

Comprehensive Income and Expenditure Statement (continued)

2022/23					2023/24		
Gross Exp	Income	Net Exp			Gross Exp	Income	Net Exp
£000	£000	£000		Note	£000	£000	£000
		(8,228)	Other Operating Income and Expenditure	11			104,684
		31,802	Financing and Investment Income and Expenditure	12			13,323
		(367,809)	Taxation and Non-Specific Grant Income and Expenditure	13			(423,295)
		99,168	**(Surplus) or Deficit on Provision of Services**	**14**			**103,082**
		(146,062)	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	26b			75,038
		(602,486)	Remeasurement of the Net Defined Benefit Pension Liability	42			17,997
		(748,548)	**Other Comprehensive Income & Expenditure**				**93,035**
		(649,380)	**Total Comprehensive Income & Expenditure**				**196,117**

Movement in Reserves Statement

The **Movement in Reserves Statement** shows the movement in the year on the different reserves held by the Council, analysed into "usable reserves" (those that can be applied to fund expenditure or reduce local taxation) and unusable reserves which contain items that illustrate the difference between the Council's financial position under accounting standards (the "accounting basis") and the amount charged to the taxpayer for the year (the "funding basis").

2023/24	Note	General Fund Balance £000	Earmarked Reserves £000	General Fund Total £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
31st March 2023 brought forward		**(15,000)**	**(302,346)**	**(317,346)**	**(25,377)**	**-**	**(123,122)**	**(25,822)**	**(491,667)**	**(2,316,902)**	**(2,808,569)**
Total Comprehensive Expenditure and Income		92,446	-	92,446	10,636	-	-	-	**103,082**	93,035	**196,117**
Adjustments between accounting basis & funding basis under regulation	9	(82,755)	-	(82,755)	(7,974)	-	(1,533)	479	**(91,783)**	91,781	**(2)**
Transfers (from) / to Earmarked Reserves	10	(9,692)	9,692	-	-	-	-	-	-	-	-
Balance at 31st March 2024 carried forward		**(15,001)**	**(292,654)**	**(307,655)**	**(22,715)**	**-**	**(124,655)**	**(25,343)**	**(480,368)**	**(2,132,086)**	**(2,612,454)**

Movement in Reserves (continued)

2022/23	Note	General Fund Balance £000	Earmarked Reserves £000	General Fund Total £000	Housing Revenue Account £000	Major Repairs Reserve £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Authority Reserves £000
Balance at 31st March 2022 brought forward		**(15,000)**	**(342,013)**	**(357,013)**	**(32,532)**	**-**	**(105,489)**	**(69,121)**	**(564,155)**	**(1,595,034)**	**(2,159,189)**
Total Comprehensive Expenditure and Income		66,653	-	66,653	32,515	-	-	-	**99,168**	(748,548)	**(649,380)**
Adjustments between accounting basis & Funding basis under regulation	9	(26,986)	-	(26,986)	(25,360)	-	(17,633)	43,299	**(26,680)**	26,680	**-**
Transfers (from)/to Earmarked Reserves	10	(39,667)	39,667	-	-	-	-	-	**-**	-	**-**
Balance at 31st March 2023 carried forward		**(15,000)**	**(302,346)**	**(317,346)**	**(25,377)**	**-**	**(123,122)**	**(25,822)**	**(491,667)**	**(2,316,902)**	**(2,808,569)**

Balance Sheet

The Balance Sheet shows the Council's assets and liabilities.

The top of the Balance Sheet shows the Council's net assets. Assets include property, plant & equipment, intangible assets, amounts owed to the Council and the Council's cash and financial investments. Liabilities include amounts owed by the Council (including conditional funding received), provisions made in respect of future events, the Council's borrowing and the deficit on the Council's pension fund.

The bottom of the Balance Sheet shows how the Council's net assets are financed by reserves, which are divided into usable and unusable reserves.

31st March 2023		Note	31st March 2024
£000			£000
2,830,261	Property, Plant & Equipment	15	2,661,608
120,731	Heritage Assets	16	121,030
954	Intangible Assets	17	758
70,000	Long Term Investments	18a	15,000
10,220	Long Term Debtors	20	9,737
3,032,166	**Long Term Assets**		**2,808,133**
135,895	Short Term Investments	18a	90,315
6,583	Assets Held For Sale (<1 year)	22	2,810
3,158	Inventories	19	3,252
79,465	Short Term Debtors	20	101,576
82,773	Cash and Cash Equivalents	21	90,820
307,874	**Current Assets**		**288,773**

Balance Sheet (continued)

31st March 2023 £000		Note	31st March 2024 £000
(25,589)	Short Term Borrowing	18a	(36,209)
(184,262)	Short Term Creditors	23	(175,006)
(4,373)	Provisions (<1 year)	24	(3,376)
(214,224)	**Current Liabilities**		**(214,591)**
(6,237)	Provisions (>1 year)	24	(5,980)
(180,103)	Long Term Borrowing	18a	(134,491)
(125,211)	Other Long Term Liabilities	18a & 42	(119,316)
-	Revenue Grants Receipts in Advance	35	(2,797)
(5,696)	Capital Grants Receipts in Advance	35	(7,278)
(317,247)	**Long Term Liabilities**		**(269,862)**
2,808,569	**Net Assets**		**2,612,453**
	Represented by:		
491,667	Usable Reserves	25	480,368
2,316,902	Unusable Reserves	26	2,132,086
2,808,569	**Total Reserves**		**2,612,454**

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council 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 Council are funded by way of taxation and grant income or from the recipients of services provided by the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery.

2022/23			2023/24
£000		Note	£000
99,168	Net (surplus) or deficit on the provision of services		103,082
(133,214)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	(163,977)
96,326	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	27	103,290
62,280	**Net cash flows from Operating Activities**		**42,395**
21,163	Net cash flows from Investing Activities	28	(89,957)
(10,535)	Net cash flows from Financing Activities	29	39,516
72,908	**Net (increase) or decrease in cash and cash equivalents**		**(8,046)**
155,681	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period		82,773
82,773	**Cash in hand /(overdraft) and cash equivalents at the end of the reporting period**	**21**	**90,819**

Explanatory Notes To The Core Financial Statements

Note 1 Accounting Policies

Changes in Accounting Policies

In 2023/24 there are no changes to our accounting policies.

Accounting Policies for 2023/24

1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2023/24 financial year and its position at the year end of 31st March 2024. The Council is required to prepare an annual statement by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices comprise the Code of Practice on Local Authority accounting in the United Kingdom 2023/24, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments. Figures within the Statement of Accounts may be adjusted by up to £2,000 to take account of rounding differences arising due to reporting figures in thousands (£000s)

2. Recognition of Income and Expenditure

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the good or services are transferred to the service recipient in accordance with the performance obligations of the contract;
- Supplies are recorded as expenditure when they are consumed. Where supplies are held for future use they are shown as inventories on the Balance Sheet;
- Expenses in relation to services received (including services provided by employees) are recorded when the services are received rather than when payments are made;
- Interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;

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 on 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.

3. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash Equivalents are investments that mature within three months from the date of acquisition and 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 part of the Council's cash management.

4. Charges to Revenue for Non-Current Assets

Service revenue accounts & support services are charged with the following amounts to record the real cost of holding non-current assets during the year:

- Depreciation attributable to the assets used by the relevant service. Depreciation is calculated on opening Net Book Values;

4. Charges to Revenue for Non-Current Assets (continued)

- Revaluation & impairment losses on assets used by the service where there were no accumulated gains in the Revaluation Reserve against which the losses can be written off;
- Amortisation of intangible non-current assets attributable to the service.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisations. However, the Council's policy is to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirements. This is known as "Minimum Revenue Provision" (MRP). The Council is also able to make additional voluntary MRP known as "Voluntary Set Aside" (VSA).

Depreciation, impairment losses, and amortisations are therefore replaced by MRP and VSA in the Movement in Reserves Statement by way of an adjusting transaction within the Capital Adjustment Account for the difference between the two.

The Council's full policy on the calculation of Minimum Revenue Provision is set out in the annual budget approved by Council. The Council's MRP policy brings the charge into line with asset lives.

5. Council Tax & Non Domestic Rates

The Council as a billing authority acts as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the authority's share of the end of the year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

6. Employee Benefits

Benefits payable during employment

Short term employee benefits are those due to be settled within 12 months of the year end. They include wages, salaries, paid annual and sick leave, bonuses and other non-monetary benefits (e.g. cars) for current employees and are recognised in the year in which the employee renders the service. An accrual is made for the cost of holiday entitlement earned by the employee but not taken before the end of the year. The accrual is made at the wage and salary rates applicable in the period the employee takes the benefit. This accrual is charged to services and reversed into the period when the entitlement is taken. To avoid an impact on balances this is reversed in the Movement in Reserves Statement.

6. Employee Benefits (continued)

Termination Benefits

Termination benefits are payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date, or the officer's decision to accept voluntary redundancy.

These costs are charged on an accrual basis to the Cost of Services in the CIES when the Council is committed to the termination, or makes an offer to encourage voluntary redundancy.

When these involve enhancement of pensions the General Fund is required to be charged with the amount payable, however this is adjusted (in line with regulations) in the Movement in Reserves Statement to reflect the cash paid rather than the liability incurred under accounting standards.

Post-employment Benefits

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

- The Teachers' Pension Scheme, administered by Capita Teachers' Pensions on behalf of the Department for Education;
- The Local Government Pension Scheme, administered by Leicestershire County Council (LGPS);
- The NHS Pension Scheme (in relation to staff transferring from the NHS as part of the adoption of responsibility for public health), administered by the NHS Business Services Authority.

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

However, the arrangements for the teachers' and NHS schemes mean that liabilities for those benefits cannot be identified as specifically accruing to the Council. The scheme is therefore accounted for as if it were a defined contributions scheme – no liability for future payments of benefits is recognised in the Balance Sheet and the Education and Children's services line in the CIES is charged with the employer's contributions payable to teachers' pensions in the year.

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

- The liabilities of the Leicestershire County Council Pension Scheme attributable to Leicester City Council are included in the balance sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates etc. and projections of future earnings for current employees;
- The assets of the Leicestershire County Council Pension fund attributable to Leicester City Council are included in the Balance Sheet at their fair value;
- The change in the net pensions liability between Balance Sheet dates is analysed into six components:
- Current service cost – the increase in liabilities as a result of years of service earned this year, allocated in the CIES to the revenue accounts of services for which the employees worked;
- Past service costs – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Net Cost of Services in the CIES as part of Cost of Services;
- Net interest on the defined benefit liability – the net of the expected increase in the present value of liabilities over the year arising from the passage of time and the expected return on scheme assets discounted at the discount rate used for the liabilities. This is part of Financing & Investment Income & Expenditure;

6. Employee Benefits (continued)

Post-employment Benefits (continued)

- Gains/losses on settlements and curtailments – the results of actions to relieve the Council of liabilities or events that reduce the expected future service or accrual of benefits of employees – debited to the Net Cost of Services as part of Non-Distributed Costs;
- Re-measurements of the net defined benefit obligation – this is the change in the net pensions liability over the year attributable to changes in demographic and financial assumptions;
- Contributions paid to the Leicestershire County Council Pension Fund – cash paid as employer's contributions to the pension fund.

Statutory provisions limit the Council to raising council tax to cover the amounts payable by the Council to the pension fund in the year. This means that there are appropriations to and from the Pensions Reserve in the Movement in Reserves Statement, to remove the notional debits and credits for retirement benefits and replace them with debits for cash paid to the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance on the Pensions Reserve measures the beneficial impact on the General Fund for accounting on a cash basis rather than as the benefits are earned.

Discretionary Benefits

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

7. Events after Balance Sheet date

Events after the Balance Sheet date are those events, favourable or adverse, that occur between the end of the reporting period and the date that the Statements are authorised for issue. Two types of events could be identified:

- Those that provide evidence of conditions that existed at the end of the reporting period. The statements are adjusted to reflect this better understanding of the situation at the Balance Sheet date;
- Those indicative of conditions that arose after the reporting period, but are relevant to the reader's understanding of the Council's financial position. The Statements are not adjusted, but if the events would have a material effect on the reader's understanding, disclosure is made 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 Statements.

8. Financial Instruments

Financial Liabilities

Financial liabilities are recognised on the balance sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the CIES for interest payable are based on the carrying amount of the liability.

For most of the borrowings that the authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the CIES is the amount payable for the year according to the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

8. Financial Instruments (continued)

Financial Assets (continued)

- amortised cost;
- fair value through profit or loss (FVPL), and

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

9. Government Grants and Contributions

Grant Conditions

Whether paid on account, by instalments or in arrears, Government grants and third party contributions and donations are recognised as income at the date that the Council satisfies the conditions of the entitlement to the grant/ contribution and there is reasonable assurance that the monies will be received.

Amounts recognised as due to the Council are not credited to the CIES until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that future economic benefits or service potentials embodied in the asset acquired using the grant or contribution are required to be consumed by the recipient as specified or returned to the payer.

Monies advanced as grants and contribution for which conditions have not been satisfied are carried in the Balance Sheet as creditors.

Acting as a principal or agent

Grants are only recognised as income in the CIES, where the Council is acting as a principal. If the Council is acting as an intermediary, then the net balance of monies to either be repaid or due to the Council, will be shown on the balance sheet.

It is deemed the Council is acting as a principal if they have control of a grant i.e. the ability to direct the use of and obtain substantially all of the remaining benefits from the grant.

10. Leases

Leases are classified as either 'finance' or 'operating' leases.

A finance lease is one where the terms of the lease transfer substantially all 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 – in these cases the annual receipt/ payment is simply recognised in the CIES and the future commitments disclosed in the note to the accounts.

Where a lease covers both land and buildings each element is considered separately for classification. Arrangements that do not have the legal status of a lease but convey a right to use the asset in return for a consideration are accounted for under this policy.

Council as Lessor

Where the Council is a lessor and has granted a finance lease over property or equipment, which is considered material, the relevant asset is written out of the Balance Sheet. Rentals under such leases are apportioned between:

- Finance income (credited to Finance and Investment income in the CIES).
- Charge for acquisition of the interest in the property (treated as a capital receipt and is used to reduce the long-term debtor created at the start of the lease).

10. Leases (continued)

Council as Lessee

Where the Council is a lessee and holds assets under a finance lease the relevant assets are recognised as assets and added to the non-current assets on the Balance Sheet at the fair value measured at the lease inception (or the present value of minimum leases payments, if lower). The asset's recognition is matched by a liability for the obligation to pay the lessor. Contingent rents are charged as expenses in the periods they are incurred. Payments under such leases are apportioned between:

- Finance Income (charged to the Finance and Investment expenditure in the CIES).
- Charge for acquisition (debited against the lease liability created when the non-current asset is recognised on the Balance Sheet).

11. Property Plant and Equipment

Assets that have physical substance and are held for use in the provision of services 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 property, plant and equipment is capitalised on an accruals basis, subject to a de minimis limit of £10k so that small items of expenditure may be charged to revenue. Expenditure that secures but does not extend the previously assessed standards of performance of an asset (e.g. repairs and maintenance) is charged to revenue.

Measurement:

Assets are initially measured at cost, comprising all expenditure that is directly attributable to bringing the asset into working condition for its intended use. The Council does not capitalise borrowing costs incurred during the construction period.

The cost of assets acquired other than by purchase, and donated assets, is deemed to be its current value. Gains are credited to the Revaluation Reserve and included in the Other Operating Income and Expenditure line of the CIES.

Assets are carried in the Balance Sheet using the following measurement basis:

- Council dwellings – current value using basis of existing use value for social housing.
- Vehicles, Plant, and Equipment: Mainly at historic cost net of depreciation, with a few assets being subject to current value measurement.
- Infrastructure Assets, Community Assets, and Assets under Construction: Depreciated historic cost or nominal value in the main, with a few being subject to current value measurement.
- Land and Buildings: Current value, determined as the amount that would be paid for the asset in existing use (based on market value at highest and best use). Where there is no market-based evidence of current value because of the specialized nature of the asset, depreciated replacement cost is used as an estimate of current value.
- All Other Assets Including Surplus Assets: Fair value, determined as the amount that would be paid for the asset in existing use (based on market value at highest and best use).

Other PPE valuations are carried out by the Council's qualified valuers "to existing" assets and are included in the Balance Sheet at current value. The Council's PPE are revalued annually, with the exception of low-value and de minimis assets. Annual valuations of council dwellings are carried out by a specialist external valuer.

Note 1 Accounting Policies (continued)

11. Property Plant and Equipment (continued)

Impairment:

The values of each category of asset and of material individual assets are reviewed at the end of each financial year for evidence of reductions in value. Where impairment is identified, it is accounted for as follows:

Consumption of Economic Benefit: If the impairment is clearly attributable to the consumption of economic benefit, the loss is charged to the relevant service revenue account.

Other Impairments: If the impairment is not attributable to the consumption of economic benefit, it is written off against any previous revaluation gains attributable to the asset in the Revaluation Reserve. Any excess impairment is then charged to the Surplus or Deficit on Provision of Services (SDPS).

Disposals:

When it becomes probable that the carrying amount of an asset will be recovered from sale rather than through continued use, it is immediately revalued and reclassified as an Asset Held for Sale. The asset is then carried at fair value less costs to sell.

For assets that no longer meet the criteria of Assets Held For Sale they are reclassified back to non-current assets and valued back to their carrying value before being reclassified, adjusted for depreciation that would have been incurred.

When an asset is disposed of or de-commissioned, the value of the asset in the Balance Sheet is written off to the Other Operating Income and Expenditure line in the CIES as part of the gain or loss on disposal.

Receipts from disposals are credited to the CIES as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Amounts in excess of £10k are categorised as capital receipts.

A proportion of receipts relating to Housing Revenue Account (HRA) dwellings sold under the Right To Buy (RTB) rules from 1st April 2012 is payable into a government pool, with the balance of the receipts (after a deduction to compensate the HRA for a higher level of sales under the new rules) being available for general capital investment plus a prescribed requirement to provide new affordable housing. 50% of HRA receipts from non-RTB disposals are also required to be paid into the government pool, unless they are reinvested in new affordable housing or regeneration capital schemes, in which case the pooling requirement is waived.

Usable capital receipts are credited to the Usable Capital Receipts Reserve and can only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the Capital Financing Requirement).

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

Depreciation:

Depreciation is provided for on all assets with a determinable finite life, by allocating the value of the asset in the Balance Sheet over the periods in which the benefits from their use are expected to arise.

Depreciation is calculated on the following bases:

- Council dwellings – dividing the buildings element of the valuation (i.e. current less an adjustment for social housing) by the residual life (25-75 years) of the property.
- Other buildings - straight-line allocation over the life of the property subject to a maximum of 50 years as estimated by the valuer.
- Vehicles – on a straight-line basis over 5-7 years.
- Plant and Equipment – straight-line over the estimated life of the asset.

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

11. Property Plant and Equipment (continued)

Depreciation is calculated on opening net book values and is based on the remaining useful life on the assets.

Schools

Schools assets are included within the Council's Balance Sheet in line with the criteria for recognition of non-current assets set out in the Code of Practice. Consideration is given to the recognition of the assets on a school-by-school basis but in effect the assets of all schools run under the standard community schools model (including Voluntary Controlled schools) are recognised because the Council is both the legal owner of the assets and also the beneficiary of them in substance. Where the governance of the school differs from the community school model (for example Academies, Voluntary Aided and Foundation Trust schools), the Council considers whether it has effective control of the school's assets in respect of access to future economic benefits or service potential, and also its exposure to the risks of ownership. Where this is not the case, the assets are not recognised on the Council's Balance Sheet.

Where schools become Academies, the Council retains legal title to the assets of the school but transfers the economic benefits and service potential of those assets to the Academy by way of a long lease. The Council therefore derecognises those assets from its Balance Sheet in line with the Code of Practice's provisions on leasing.

Heritage Assets

- Heritage assets are classified and measured on the following basis: Heritage Buildings – Current Value
- Museum/Gallery Exhibits (including Mayoral Regalia and Civic Silver) - Insurance Value (based on revaluation every three years)
- Statues and Monuments - Insurance Value

The carrying amounts in the Balance Sheet of all the assets (i.e. other than museum exhibits and assets held at nominal current value) are reviewed as part of the on-going revaluation programme undertaken by the Council. Where there is evidence of impairment, such as physical deterioration, that impairment will be recognised and measured in accordance with the Council's general policies on impairment.

Asset purchases will be recognised at cost and acquisitions (for example donations) will be initially recognised at a nominal value until valuations can be ascertained by either the museum's curators with reference to the appropriate commercial markets, or by an external valuer.

The Council may dispose of heritage assets which have a doubtful provenance or are unsuitable for display. Proceeds of such items will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with the statutory requirements relating to capital expenditure and capital receipts (see Note 15 – Property, Plant and Equipment).

Heritage Assets are not depreciated.

Highways Infrastructure Assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits will flow to the authority and the cost can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1st April 1994, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis. Annual depreciation is the depreciation amount allocated each year.

Useful lives of the various parts of the highways network are assessed by the Highways Department using industry standards where applicable as follows:

Part of the highways network	Useful life (Years)
Carriageways	25
Footways and cycleways	25
Structures	120
Street Lighting	40
Traffic Management	20

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal).

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

12. Private Finance Initiatives (PFI)

PFI, and similar contracts, are agreements to receive services which may include the requirement to provide assets by the supplier in the delivery of the service. As the Council is deemed to control the service, and ownership of the property will pass to the Council at the end of the contract with no extra charge, the Council carries the value of the asset on its Balance Sheet as part of Property, Plant and Equipment.

The initial recognition of the assets, at current value, is balanced by the recognition of the liability for amounts due to the scheme contractor to pay for the capital investment.

The amounts payable to the PFI contractor each year comprise:

- Value of the service received in the year – charged to relevant service in the CIES.
- Finance Cost – the interest charge on the outstanding Balance Sheet liability, charged to the Finance and Investment line in the CIES.
- Contingent Rent – lease payments that increase or decrease as a result of changes in factors occurring subsequent to the inception of the lease, other than the passage of time.
- Payment towards the liability – applied to the Balance Sheet Liability.
- Lifecycle Costs – additional expenditure on assets either added as prepayment for the asset or to the service lines where not material, when the relevant work is carried out.

13. Provisions, Contingent Liabilities and Assets

Provisions are made where an event has taken place that gives the Council an obligation that probably requires settlement by transfer of economic benefits and a reliable estimate can be made to the amount of the obligation.

Provisions are charged as an expense to the appropriate service in the CIES in the year that the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date, taking into account relevant risks and uncertainties.

Contingent liabilities arise where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Council. Contingent assets arise where an event has taken place that gives the council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Both contingent items are not recognised in the Balance Sheet but disclosed further in the notes to the accounts.

14. Reserves

The Council sets aside specific amounts as usable reserves for future policy provisions or to cover contingencies. Reserves are created by appropriating amounts of the General Fund Balance.

Certain unusable reserves are kept to manage the accounting process for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable resources for the Council. These reserves are explained in further detail in Note 26 to the accounts.

15. Revenue Expenditure Funded from Capital Under Statute

Expenditure incurred during the year that may be capitalised under statutory provision but does not result in the creation of fixed assets has been charged as expenditure to the relevant service revenue account in the CIES, in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, it is transferred from the General Fund to the Capital Adjustment Account so there is no impact on the level of Council Tax.

16. Schools

Where the Council determines that the overall balance of control of schools lies within the Council those schools' assets, liabilities, reserves and cash flows are recognised in the Council financial statements. Therefore, schools' transactions, cash flows and balances are recognised in the Financial Statements of the Council as if they were the transactions, cash flows and balances of the Council. Academies and other schools such as voluntary aided schools, where control does not lie with the Council, are excluded from the Council's financial statements.

17. VAT

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

18. Prior Period Adjustments, changes in accounting policies and estimates and errors

Prior Period adjustments may arise as a result of a change in 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 (unless stated otherwise) 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.

Note 2 Expenditure & Funding Analysis

The expenditure and funding analysis shows how annual expenditure is used and funded from resources by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. A breakdown of adjustments is included in note 8.

2023/24	Net Expenditure Charged to the HRA & General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	64,216	44,343	108,559
Housing Revenue Account (HRA)	(9,135)	9,632	498
Adult Social Care	137,270	(948)	136,322
Health Improvement & Wellbeing	(2,744)	(492)	(3,236)
Education & Children's Services	108,864	24,021	132,885
Corporate Resources & Support	38,620	(1,573)	37,047
Housing Benefits	451	-	451
Corporate Items	15,314	(18,951)	(3,638)
Capital Financing	(517)	-	(517)
Cost of Services	**352,338**	**56,032**	**408,370**
Other Operating Expenditure	(769)	105,452	104,684
Financing and Investment Income and Expenditure	26,497	(13,174)	13,323
Taxation and Non-Specific Grant Income	(365,716)	(57,579)	(423,295)
(Surplus) or Deficit on Provision of Services	**12,351**	**90,731**	**103,082**

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(317,346)	(25,377)	(342,723)
Surplus or Deficit in the Year	9,690	2,661	12,351
Closing Balance	**(307,657)**	**(22,716)**	**(330,373)**

Note 2 Expenditure & Funding Analysis (continued)

2022/23	Net Expenditure Charged to the HRA & General Fund Balance	Adjustments Between Accounting & Funding Basis	Net Expenditure on the Comprehensive Income & Expenditure Statement
	£000	£000	£000
City Development & Neighbourhoods	58,611	68,800	127,411
Housing Revenue Account (HRA)	(2,791)	22,926	20,135
Adult Social Care	134,224	3,941	138,165
Health Improvement & Wellbeing	(2,624)	1,130	(1,494)
Education & Children's Services	77,872	39,288	117,160
Corporate Resources & Support	38,377	4,694	43,071
Housing Benefits	(325)	-	(325)
Corporate Items	7,537	(7,740)	(203)
Capital Financing	(517)	-	(517)
Cost of Services	**310,364**	**133,039**	**443,403**
Other Operating Expenditure	(2,617)	(5,611)	(8,228)
Financing and Investment Income and Expenditure	30,250	1,552	31,802
Taxation and Non-Specific Grant Income	(291,175)	(76,634)	(367,809)
(Surplus) or Deficit on Provision of Services	**46,822**	**52,346**	**99,168**

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(357,013)	(32,532)	(389,545)
Surplus or Deficit in the Year	39,666	7,155	46,821
Closing Balance	**(317,347)**	**(25,377)**	**(342,724)**

Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), the Council is required to disclose information setting out the impact of an accounting change required by a new accounting standard that has been issued but not yet adopted by the Code.

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:

• **IAS 1 (Accounting Policies)** - requires entities to disclose their material accounting policy information, instead of significant accounting policies.

• **IFRS 3 (Business Combinations)** - updated so that this standard now refers to the 2018 Conceptual Framework instead of the 1989 Framework without significantly changing its requirements.

• **IAS 8 (Accounting Estimates)** - amendment to the definitions of accounting estimates.

• **IAS 12 (Income Taxes)** - the amendment places a requirement to recognise deferred tax on particular transactions that, on initial recognition , give rise to equal amounts of taxable and deductible temporary differences.

• **IRFS 16 (Leases)** - the new standard requires the lessee to recognise a right of use asset and liability with a lease term of more than 12 months unless the asset is of low value.

These changes are not envisaged to have a significant impact our accounts when implemented from 1st April 2024.

Note 4 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events.

The critical judgements made in the Statement of Accounts are:

Accounts prepared on a going concern basis

These accounts have been prepared on a going concern basis, assuming that the Council, its functions, and services will continue in operational existence for the foreseeable future. However, there is a high degree of uncertainty about future levels of funding for local government and the future national economic outlook. The Council's management has used its judgement and determined that its financial strategy is robust and that this uncertainty is not yet sufficient to affect the assumptions underpinning the strategy and that the Council will continue as a going concern. If the Council were not considered a going concern, it would have a material effect on the financial statements.

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

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

The items in the Council's Balance Sheet at 31st March 2024 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Property, Plant & Equipment (Value - £2.7bn) (Depreciation - £75m) Refer to Note 15.	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.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for property, plant & equipment would increase by approximately £4.4m for every year that useful lives had to be reduced.
Fair Value Measurements (Surplus Assets - £76m) Refer to Note 15.	Some property (surplus) assets are held at Fair Value (see Accounting Policies & Notes 15 for more information). When there is no quoted market value for an asset, the Council applies other valuation methods in accordance with the Code of Practice and the underlying IFRS 13 standard, but these may incorporate elements of judgement around risks and the basis of assumptions.	It is not possible to quantify the level of variance that may arise if assumptions used differ from actual asset values. The Council is confident, however, that the risk of any variance will not affect the Council's financial strategy.

Note 5 Assumptions made about the future and other major sources of estimation uncertainty (continued)

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Pension Liability (Net Asset—£34m) Refer to Note 42.	The net asset is not recognized in the accounts due to the application of the asset ceiling. There is a significant risk that the assumptions and judgments underpinning this assessment may change in the next 12 months due to actuary valuations.	If the carrying amount of the pension liability is restricted to £34m by the application of the asset ceiling, the sensitivity reporting the effect on the net pension liability may not be appropriate. A detailed sensitivity analysis should be provided to indicate the potential impact of changes in assumptions on the pension liability.

Note 6 Material Items of Income and Expense

In 2023/24 the valuation of surplus land owned by the Council at Ashton Green increased from £43m to £55m. This is due to externally sourced valuation reports exceeding land value expectations. This revaluation is reflected in Note 15 Property, Plant and Equipment—Movement on Balances in 2023/24.

During the year both Soar Valley Community College and City of Leicester Community College converted into academies. The net book value of Soar Valley Community College (£53m) and City of Leicester Community College (£47m) have therefore been written out from the Council's balance sheet. These disposals are reflected in Note 11 Other Operating Income and Expenditure.

Note 7 Events After the Balance Sheet Date

There were no significant events at the time of publishing the draft accounts.

Note 8 Note to the Expenditure and Funding Analysis

The following tables provide reconciliations between the main adjustments to Net Expenditure Chargeable to the General Fund and Housing Revenue Account balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. For the General Fund this also includes Earmarked Reserves.

		Adjustments Between Accounting & Funding Basis				
2023/24	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	Net Expenditure Charged to the HRA & General Fund Balance
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	108,559	(48,311)	3,915	53	(44,343)	64,216
Housing Revenue Account (HRA)	498	(11,568)	1,544	392	(9,632)	(9,135)
Adult Social Care	136,322	(693)	1,567	74	948	137,270
Public Health	(3,236)	(1)	477	16	492	(2,744)
Education & Children's Services	132,885	(31,404)	7,657	(274)	(24,021)	108,864
Corporate Resources & Support	37,047	(355)	1,936	(8)	1,573	38,620
Housing Benefits	451				-	451
Corporate Items	(3,638)	17,132	3,724	(1,905)	18,951	15,314
Capital Financing	(517)				-	(517)
Cost of Services	**408,370**	**(75,200)**	**20,820**	**(1,652)**	**(56,032)**	**352,338**
Other Operating Expenditure	104,684	(105,452)			(105,452)	(769)
Financing and Investment Income and Expenditure	13,323	14,340	(1,166)		13,174	26,497
Taxation and Non-Specific Grant Income	(423,295)	65,533		(7,954)	57,579	(365,716)
(Surplus) or Deficit on Provision of Services	**103,082**	**(100,779)**	**19,654**	**(9,606)**	**(90,731)**	**12,351**

Note 8 Note to the Expenditure and Funding Analysis (continued)

2022/23	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments Between Accounting & Funding Basis				Net Expenditure Charged to the HRA & General Fund Balance
		Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	127,411	(60,840)	(8,011)	51	(68,800)	58,611
Housing Revenue Account (HRA)	20,135	(19,522)	(3,759)	355	(22,926)	(2,791)
Adult Social Care	138,165	(324)	(3,608)	(9)	(3,941)	134,224
Health Improvement & Wellbeing	(1,494)	(1)	(1,099)	(30)	(1,130)	(2,624)
Education & Children's Services	117,160	(24,065)	(11,673)	(3,550)	(39,288)	77,872
Corporate Resources & Support	43,071	(336)	(4,454)	96	(4,694)	38,377
Housing Benefits	(325)	-	-	-	-	(325)
Corporate Items	(203)	7,237	242	261	7,740	7,537
Capital Financing	(517)	-	-	-	-	(517)
Cost of Services	**443,403**	**(97,851)**	**(32,362)**	**(2,826)**	**(133,039)**	**310,364**
Other Operating Expenditure	(8,228)	5,611	-	-	5,611	(2,617)
Financing and Investment Income and Expenditure	31,802	14,795	(16,347)	-	(1,552)	30,250
Taxation and Non-Specific Grant Income	(367,809)	52,489	-	24,145	76,634	(291,175)
(Surplus) or Deficit on Provision of Services	**99,168**	**(24,956)**	**(48,709)**	**21,319**	**(52,346)**	**46,822**

Note 8 Note to the Expenditure and Funding Analysis (continued)

Adjustments for Capital Purposes

This column adds depreciation, impairment and revaluation gains and losses into the services line, and for:

- **Other Operating Expenditure** – adjusts 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 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** – 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 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 are satisfied in the year.

Net Change for Pensions Adjustments

This column is for the removal of pension contributions and the addition of IAS19 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 – the net interest on the defined benefit liability is charges to the CIES.

Other Adjustments

These columns reflect other differences between mounts 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 figures reflect the adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure figures reflect 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.
- The reversal of officer’s remuneration chargeable on an accruals basis is different to that chargeable under statutory requirements

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment	2023/24 General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movemt in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, capital expenditure not adding value and amortisation of non-current assets	(56,968)	(28,260)	-	-	-	**85,228**
Revaluation gains/(losses) on Property Plant and Equipment	1,023	611	-	-	-	**(1,634)**
Capital grants and contributions applied	79,332	24	-	-	-	**(79,356)**
Capital expenditure funded from revenue	4,198	-	-	-	-	**(4,198)**
Revenue expenditure funded from capital under statute	(25,372)	(92)	-	-	-	**25,464**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(116,294)	(13,079)	-	-	-	**129,373**
Income recognised in respect of donated assets	171	-	-	-	-	**(171)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:						
Statutory provision for the financing of capital investment	12,977	1,363	-	-	-	**(14,340)**
Capital expenditure charged against the General Fund and HRA balances	-	1,826	-	-	-	**(1,826)**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	10,672	13,766	(24,438)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	22,416	-	-	**(22,416)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(267)	517	-	-	-

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2023/24 General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movemt in Unusable Reserves £000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(26)	-	-	**26**
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	14,323	-	(14,323)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	14,323	-	**(14,323)**
Adjustments primarily involving the Capital Grants Unapplied Reserve:						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	22,270	-	-	-	(22,270)	-
Application of grants to capital financing credited to the Capital Adjustment Account	(22,749)	-	-	-	22,749	-
Adjustments primarily involving the Financial Instruments Adjustments Account:						
Amount 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	(1,905)	384	-	-	-	**1,521**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(39,691)	(3,089)	-	-	-	**42,780**
Employer's pensions contributions and direct payments to pensioners payable in the year	57,926	4,508	-	-	-	**(62,434)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	(7,954)	-	-	-	-	**7,954**
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3,515	9	-	-	-	**(3,524)**
Adjustment primarily involving DSG Deficit:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(3,654)	-	-	-	-	**3,654**
Total Adjustments	**(82,753)**	**(7,973)**	**(1,531)**	**-**	**479**	**(91,778)**

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment	2022/23 General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movemt in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account:						
Reversal of items debited or credited to the Comprehensive Income and Expenditure Account:						
Charges for depreciation, capital expenditure not adding value and amortisation of non-current assets	(48,686)	(33,854)	-	-	-	**82,540**
Revaluation gain/(losses) on Property Plant and Equipment	(8,114)	(1,605)	-	-	-	**9,719**
Capital grants and contributions applied	104,456	24	-	-	-	**(104,480)**
Capital expenditure funded from revenue	262	-	-	-	-	**(262)**
Revenue expenditure funded from capital under statute	(30,461)	(450)	-	-	-	**30,911**
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(6,307)	(22,576)	-	-	-	**28,883**
Income recognised in respect of donated assets	4	-	-	-	-	**(4)**
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:						
Statutory provision for the financing of capital investment	13,541	1,254	-	-	-	**(14,795)**
Voluntary provision for the financing of capital expenditure	-	-	-	-	-	-
Capital expenditure charged against the General Fund and HRA balances	-	805	-	-	-	**(805)**
Adjustments primarily involving the Capital Receipts Reserve:						
Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	14,095	21,076	(35,173)	-	-	**2**
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	16,892	-	-	**(16,892)**
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(428)	678	-	-	**-**
Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool		-		-	-	**-**

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations (continued)

Adjustment Continued	2022/23 General Fund Balance £000	Housing Revenue Account £000	Capital Receipts Reserve £000	Major Repairs Reserve £000	Capital Grants Unapplied £000	Movemt in Unusable Reserves £000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(30)	-	-	**30**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	-	-	-	-	-	**-**
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	15,558	-	(15,558)	-	**-**
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	15,558	-	**(15,558)**
Adjustments primarily involving the Capital Grants Unapplied Reserve:						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve *	25,984	-	-	-	(25,984)	**-**
Application of grants to capital financing credited to the Capital Adjustment Account *	(69,121)	-	-	-	69,121	**-**
Adjustments primarily involving the Financial Instruments Adjustments Account:						
Amount 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	261	360	-	-	-	**(621)**
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(95,279)	(12,176)	-	**-**	-	**107,455**
Employer's pensions contributions and direct payments to pensioners payable in the year	52,090	6,656	-	-	-	**(58,746)**
Adjustments primarily involving the Collection Fund Adjustment Account:						
Amount by which Council Tax income credited to the Comprehensive Income and Expenditure Statement is different from Council Tax income calculated for the year in accordance with statutory requirements	24,142	-	-	-	-	**(24,142)**
Adjustment primarily involving the Accumulated Absences Account:						
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	(1,090)	(4)	-	-	-	**1,094**
Adjustment primarily involving Earmarked Reserves:						
Transfers from the General Fund and Housing Revenue Account to Earmarked Reserves	-	-	-	**-**	-	**-**
Transfers to the General Fund and Housing Revenue Account from Earmarked Reserves	-	-	-	**-**	-	**-**
Adjustment primarily involving DSG Deficit:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(2,351)	-	-	**-**	-	**2,351**
Total Adjustments	**(26,824)**	**(25,360)**	**(17,633)**	**-**	**43,137**	**(26,680)**

* During the year, it was identified that certain figures were incorrect due to an error in applying the Code. The amounts recognised for capital grants and their application to capital financing were misstated, leading to the necessary correction. These adjustments result in no impact on the financial statements line items (reserves) as the overall financial position remains unchanged. The corrections have been reflected to ensure the accuracy and compliance with relevant accounting standards.

Note 10 - Movement in Earmarked Reserves

Earmarked reserves are amounts set aside to provide financing for future expenditure plans. The table to the right provides a list of reserves held by the Council. Additional information on the earmarked reserves can be found in the Council's outturn report.

The breakdown of earmarked reserves has been restated to reflect the headings reported to management, to allow comparison between the financial statements and the outturn report.

2023/24	Balance at 31st March 2023	Transfers In 2023/24	Transfers Out 2023/24	Balance at 31st March 2024
	£000	£000	£000	£000
Ring-fenced Reserves				
School Balances	31,156	5,106	(15,547)	20,715
School Capital Fund	2,417	-	(2,417)	-
Education & Skills Funding Agency Learning Programmes	887	-	(112)	775
Arts Council National Portfolio Organisation Funding	188	12	(4)	196
NHS Joint Working Projects	19,039	2,953	(8,875)	13,117
Social Care Projects	-	5,825	-	5,825
Health & Wellbeing Projects	-	3,822	-	3,822
Housing Projects	-	1,685	-	1,685
Other City Development & Neighbourhood Projects	-	3,728	-	3,728
Schools Catering	871	79	(757)	193
Covid-19 Collection Fund Compensation/Grants	(3,280)	6,410	(3,030)	100
Total Ring-fenced Reserves	**51,278**	**29,620**	**(30,742)**	**50,156**
Corporate Reserves				
Capital Programme Reserve	103,043	13,585	(13,686)	102,942
Managed Reserves Strategy	65,828	59,855	(34,122)	91,561
Waste Procurement Reserve	-	-	-	-
BSF Financing	9,160	-	(5)	9,155
Insurance Fund	6,159	114	(2,425)	3,848
Severance Fund	4,723	-	-	4,723
Service Transformation Fund	5,170	-	-	5,170
Welfare Reserve	2,116	224	(176)	2,164
Anti- Poverty Reserve	2,772	-	(989)	1,783
Other Corporate Reserves	-	-	-	-
Total Corporate Reserves	**198,971**	**73,778**	**(51,403)**	**221,346**
Financial Services Reserve	4,432	-	(4,432)	-
ICT Development Fund	10,480	-	(28)	10,452
Elections Reserve	2,440	234	(862)	1,812
Ward Committees	52	44	-	96
Housing	4,605	1,011	(5,616)	-
City Development (Excl Housing)	13,741	5,180	(18,921)	-
Social Care Reserve	10,938	3,651	(14,589)	-
Health & Wellbeing Division	4,945	419	(5,364)	-
Other Departmental Reserves	464	8,328	-	8,792
Total Other Reserves	**52,097**	**18,867**	**(49,812)**	**21,152**
Total Earmarked Reserves	**302,346**	**122,265**	**(131,957)**	**292,654**

Note 10 - Movement in Earmarked Reserves (continued)

2022/23	Balance at 31st March 2021	Transfers In 2022/23	Transfers Out 2022/23	Balance at 31st March 2023
	£000	£000	£000	£000
Ring-fenced Reserves				
DSG not delegated to schools	-	3,422	(3,422)	-
School Balances	30,095	6,317	(5,256)	31,156
School Capital Fund	2,491	31	(105)	2,417
Education & Skills Funding Agency Learning Programmes	971	-	(84)	887
Arts Council National Portfolio Organisation Funding	319	63	(194)	188
NHS Joint Working Projects	25,013	6,457	(12,431)	19,039
Schools Buy Back	1,915	170	(1,214)	871
Business Support Grants	-	-	-	-
Covid-19 Collection Fund Compensation Grants*	13,397	945	(17,622)	(3,280)
Total Ring-fenced Reserves	**74,201**	**17,405**	**(40,328)**	**51,278**
Corporate Reserves				
Capital Programme Reserve	98,834	6,394	(2,185)	103,043
Managed Reserves Strategy	83,270	18,577	(36,019)	65,828
BSF Financing	9,034	229	(103)	9,160
Insurance Fund	11,495	483	(5,819)	6,159
Severance Fund	4,827	-	(104)	4,723
Service Transformation Fund	5,195	-	(25)	5,170
Welfare Reserve	2,551	742	(1,177)	2,116
Anti- Poverty Reserve	3,000	-	(228)	2,772
Total Corporate Reserves	**218,206**	**26,425**	**(45,659)**	**198,971**
Earmarked Reserves Departmental				
Financial Services Reserve	5,119	1,176	(1,863)	4,432
ICT Development Fund	10,480	-	-	10,480
Elections Reserve	2,440	-	-	2,440
Housing	2,802	3,180	(1,377)	4,605
City Development (Excl Housing)	12,672	5,687	(4,566)	13,793
Social Care Reserve	9,998	6,720	(5,780)	10,938
Health & Wellbeing Division	5,631	444	(1,130)	4,945
Other Departmental Reserves	464	-	-	464
Total Other Reserves	**49,606**	**17,207**	**(14,716)**	**52,097**
Total Earmarked Reserves	**342,013**	**61,037**	**(100,703)**	**302,346**

*Covid-19 Collection Fund Compensation/Grants reserve is showing a negative balance due to a shortfall in budgeted government grant in relation to the collection fund, which will be resolved in future years through the collection fund surplus.

Note 11 Other Operating Income and Expenditure

	2022/23	2023/24
	£000	£000
Total (gains)/losses on the disposal of non-current assets	(5,610)	105,367
Other operating income and expenditure	(2,618)	(683)
Total	**(8,228)**	**104,684**

See note 6 for further information on the reported losses on disposals.

Note 12 Financing and Investment Income & Expenditure

	2022/23	2023/24
	£000	£000
Interest payable and similar charges	18,174	19,562
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	1,651	479
Pensions interest cost and expected return on pensions assets	16,347	1,166
Interest receivable and similar income	(4,370)	(7,884)
Total	**31,802**	**13,323**

Note 13 Taxation and Non-Specific Grant Income & Expenditure

	2022/23	2023/24
	£000	£000
Council Tax income	(135,778)	(142,452)
Non-domestic rates	(95,892)	(119,545)
Non-ringfenced government grant Income	(84,497)	(95,594)
Non-ringfenced government grant Expenditure*	851	-
Capital grants and contributions	(52,489)	(65,533)
Donated Assets	(4)	(171)
Total	**(367,809)**	**(423,295)**

*This line is Covid-19 related grant expenditure in the form of Business Support and Local Council Tax Support grants.

Note 14 Expenditure and Income Analysed by Nature

The Council's expenditure and income reported in the Comprehensive Income & Expenditure Statement is analysed by nature in the table below.

	2022/23	2023/24
	£000	£000
Expenditure		
Employee Benefit Expenses	457,559	411,450
Other Services expenses	588,144	621,702
Depreciation, amortisation, impairment	90,607	83,737
Interest Payments	36,172	20,727
Precepts & Levies	91	94
(Gain)/ Loss on the Disposal of Assets	(5,611)	105,367
Total Expenditure	**1,166,962**	**1,243,077**
Income		
Fees, charges and other service income	(183,488)	(205,710)
Interest & Investment Income	(4,370)	(7,884)
Income from Council Tax, non domestic rates	(231,670)	(261,996)
Government grants & contributions	(648,266)	(664,405)
Total Income	**(1,067,794)**	**(1,139,995)**
(Surplus) or Deficit on Provision of Services	**99,168**	**103,082**

Note 15 Property, Plant and Equipment - Movement on Balances in 2023/24

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2023/24. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

Movements on Balances in 2023/24	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
As at 1st April 2023	1,229,914	1,219,894	85,217	1,393	2,651	72,827	1,604	**2,613,500**	160,018
Additions	38,667	16,536	2,438	-	554	1,951	27,267	**87,413**	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(25,060)	(83,448)	-	20	840	(7,334)	-	**(114,982)**	1,572
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(13,370)	(5,385)	(145)	(23)	(513)	1,786	(1,741)	**(19,391)**	-
De-recognition – disposals	(13,221)	(113,539)	(1,602)	-	-	(336)	-	**(128,698)**	(86,935)
De-recognition – other								-	
Assets reclassified (to)/from Held for Sale	-	417	-	-	-	1,747	-	**2,164**	-
Asset reclassified (other)	-	(4,742)	-	-	(74)	312	4,504	-	-
As at 31st March 2024	**1,216,930**	**1,029,733**	**85,908**	**1,390**	**3,458**	**70,953**	**31,634**	**2,440,006**	**74,655**

Note 15 Property, Plant and Equipment - Movement on Balances in 2023/24 (continued)

Movements on Balances in 2023/24	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
As at 31st March 2024	**1,216,930**	**1,065,249**	**85,908**	**1,477**	**3,575**	**75,800**	**31,634**	**2,480,573**	**70,009**
Accumulated Depreciation & Impairment									
As at 1st April 2023	1	(265)	(30,914)	(272)	(3)	(7)	-	**(31,460)**	(9,012)
Depreciation Charge	(13,381)	(29,601)	(8,633)	(17)	(31)	(11)	-	**(51,674)**	(6,297)
Depreciation written out to the Revaluation Reserve	13,239	23,022	-	-	34	13	-	**36,308**	2,477
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,727	-	-	-	4	-	**1,731**	-
De-recognition – disposals	142	2,759	1,327	-	-	-	(283)	**3,945**	2,180
As at 31st March 2024	**1**	**(2,358)**	**(38,220)**	**(289)**	**-**	**(1)**	**(283)**	**(41,150)**	**(10,652)**
Net Book Value as at 31st March 2024	**1,216,931**	**1,062,891**	**47,688**	**1,188**	**3,575**	**75,799**	**31,351**	**2,439,423**	**59,357**
1st April 2023	1,229,915	1,219,629	54,303	1,121	2,648	72,820	1,604	**2,582,040**	151,006

Note 15 Property, Plant and Equipment - Movement on Balances in 2022/23

Comparative Movements 22/23	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuation									
As at 1st April 2022	1,161,367	1,153,383	76,922	1,269	2,580	76,803	8,452	**2,480,776**	149,461
Additions	31,030	35,645	8,965	-	1,062	1,373	5,960	**84,035**	961
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	78,607	34,486	2,121	124	31	1,564	-	**116,933**	9,605
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(18,296)	(11,154)	(336)	-	(1,022)	(5,060)	(87)	**(35,955)**	(9)
De-recognition – disposals	(22,794)	(853)	(2,455)	-	-	(21)	-	**(26,123)**	-
Assets reclassified (to)/from Held for Sale	-	(4,486)	-	-	-	(1,680)	-	**(6,166)**	-
Asset reclassified (other)	-	12,873	-	-	-	(152)	(12,721)	**-**	-
As at 31st March 2023	**1,229,914**	**1,219,894**	**85,217**	**1,393**	**2,651**	**72,827**	**1,604**	**2,613,500**	**160,018**

Note 15 Property, Plant and Equipment - Movement on Balances in 2022/23 (continued)

Comparative Movements 22/23	Council Dwellings	Other Land & Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment	Service Concession Assets Included in Property, Plant and Equipment
	£000	£000	£000	£000	£000	£000	£000	£000	£000
Accumulated Depreciation & Impairment									
As at 1st April 2022	-	(28)	(29,481)	(255)	-	-	-	**(29,764)**	(7,540)
Depreciation Charge	(12,534)	(27,694)	(7,394)	(17)	(37)	(64)	-	**(47,740)**	(5,882)
Depreciation written out to the Revaluation Reserve	12,318	24,740	3,512	-	34	-	-	**40,604**	4,410
Depreciation written out to the Surplus/Deficit on the provision of services	-	2,690	-	-	-	56	-	**2,746**	-
De-recognition – disposals	217	27	2,449	-	-	1	-	**2,694**	-
As at 31st March 2023	**1**	**(265)**	**(30,914)**	**(272)**	**(3)**	**(7)**	**-**	**(31,460)**	**(9,012)**
Net Book Value as at 31st March 2023	**1,229,915**	**1,219,629**	**54,303**	**1,121**	**2,648**	**72,820**	**1,604**	**2,582,040**	**151,006**
1st April 2022	1,161,367	1,153,355	47,441	1,014	2,580	76,803	8,452	**2,451,012**	141,921

Note 15 Property, Plant and Equipment - Highways Infrastructure Assets

Highways Infrastructure Assets - Movements on balances

In accordance with the temporary relief offered by the Update to the Code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements.

	2022/23 £000	2023/24 £000
Gross book value	296,512	296,512
Accumulated depreciation	(64,542)	(48,292)
Net carrying amount at 1st April	**231,970**	**248,220**
Additions	27,428	26,851
Disposals in year (gross)	(27,428)	(26,851)
Depreciation	(9,991)	(9,991)
Disposals in year (depreciation)	26,241	24,512
Gross carrying amount at 31st March	**296,512**	**296,512**
Accumulated depreciation	(48,292)	(33,770)
Net carrying amount at 31st March	**248,220**	**262,742**

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

Total PPE Assets

	2022/23 £000	2023/24 £000
Highways Infrastructure assets	248,344	262,932
Other PPE assets	2,582,040	2,398,676
Total PPE assets	**2,830,384**	**2,661,608**

Note 15 Property, Plant and Equipment - Capital Commitments

At 31st March 2024, the Council has entered into a number of contracts for the construction or enhancement of Property, Plant and Equipment in future years. Similar commitments at 31st March 2023 were £36.2m. The significant commitments are:

Contract for Capital Investment	Period	£000
Replacement Cladding Phoenix Square	25/26	11,174
Pilot House - Levelling Up	24/25	9,130
Leicester Market Redevelopment	25/26	7,866
Pioneer Park - Levelling Up	24/25	7,581
Waterside Strategic Regeneration Area	26/27	6,037
Affordable Housing Acquisitions - Hospital Close	25/26	5,043
Jewry Wall Museum Improvements	24/25	3,767
Leicester Railway Station - Levelling up	24/25	1,428
Highways Maintenance	32/33	936
Education System Re-tender	26/27	914
Connecting Leicester	25/26	610
Overdale Infant and Juniors School Expansion	24/25	508
New Build Council Housing - Hydra Walk	25/26	436
Winstanley Contact Centre	24/25	404
Children's Homes Refurbishments	24/25	306
Air Quality Action Plan	24/25	260
Total		**56,400**

Note 15 Property, Plant and Equipment - Capital Commitments

Contract for Capital Investment	Period	£000
Pioneer Park	2023-24	15,290
Electric Bus Investment	2023-24	5,024
Leicester Station	2023-24	4,052
Connecting Leicester	2023-24	2,705
Waterside	2023-24	2,667
Jewry Wall Museum Improvements	2024-25	1,844
Greener Homes	2023-24	1,750
Tower Block Sprinkler Systems	2023-24	786
Expansion of Children's Homes	2023-24	588
Council Housing - External Property Works	2023-24	523
Highways Maintenance	2023-24	507
Goscote House Demolition	2023-24	454
Total		**36,190**

Note 15 Property, Plant and Equipment - Revaluations

2023/24 Valuation Dates	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	-	3,330	59,203	3	40	-	31,634	**94,210**
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	185	-	-	-	-	-	**185**
1st April 2012	-	-	-	-	-	-	-	**-**
1st April 2013	-	1	-	-	-	-	-	**1**
1st April 2014	-	2	-	686	1	-	-	**689**
1st April 2015	-	-	-	-	-	-	-	**-**
1st April 2016	-	-	-	-	-	14	-	**14**
1st April 2017	-	-	-	-	1	-	-	**1**
Valued @ 31st March 2019	-	23	-	-	3	21	-	**47**
Valued @ 31st March 2020	-	12	-	-	77	-	-	**89**
Valued @ 31st March 2021	-	25	-	-	-	-	-	**25**
Valued @ 31st March 2022	-	213	-	-	-	1,747	-	**1,960**
Valued @ 31st March 2023	-	2,150	26,705	-	-	-	-	**28,855**
Valued @ 31st March 2024	1,216,930	1,059,308	-	788	3,453	74,018	-	**2,354,497**
Total	**1,216,930**	**1,065,249**	**85,908**	**1,477**	**3,575**	**75,800**	**31,634**	**2,480,573**

The Council carries out a rolling programme of valuations that ensures that all property and land (subject to a de minimis of £10k for asset values) required to be measured at current value are revalued at least every 5 years with the majority of assets being valued annually. The few exceptions to this rule appear in the table above. All property and land assets that are valued at Market Value are subject to annual review.

Properties are valued as at the 31st March of the financial year. For those assets not formally valued by the valuer at the financial year end, forecast indices are used to update and ensure that the valuations at 31st March are accurate and reflective of current values.

Annual valuations of council dwellings are carried out by a specialist external valuer and are based on guidance issued by the Ministry of Housing, Communities and Local Government.

All other valuations are carried out internally by an accredited valuer and chartered member of the Royal Institution of Chartered Surveyors (RICS), in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

Valuations of the majority of vehicles, plant, furniture and equipment, and of infrastructure, are based on historical cost.

Note 16 Heritage Assets

The Council holds a number of Heritage Assets, defined as assets having historical, artistic, scientific, technological, geophysical or environmental qualities, and that are held and maintained principally for their contribution to knowledge and culture.

The following tables show the movement in the value of Heritage assets during 2023/24 and the previous year.

Heritage Buildings

These include the Magazine, Abbey House and the Great Hall at Leicester Castle. The land and buildings relating to these assets are included within the revaluation cycle employed by the Council. However, none of these assets are charged depreciation as per the Council's stated accounting policy on Heritage Assets (see Note 1). Some buildings that are part of Leicester's heritage are included within Property, Plant & Equipment (Note 15).

Museum Exhibits

Leicester City Council operates six museums in the City. The museum sites are accredited museums, meaning they meet standards approved by the Arts Council on behalf of the Department for Culture, Media and Sport for collections care, visitor experience and organisational health.

There are currently around two million museum and gallery exhibits which are managed in accordance with the policies and procedures approved by the Council in line with nationally and internationally agreed standards.

Museum exhibits are included in the Balance Sheet at insurance value, reflecting the replacement cost of these assets. Additions to the exhibits collection are initially included at historical cost and are then included as part of the insurance revaluation.

Statues and Monuments

The Council has responsibility for a number of statues and monuments across the City. A number of the more significant assets are included at insurance values. The remainder are included at a nominal value as per our stated accounting policy on Heritage Assets.

Note 16 Heritage Assets (continued)

Reconciliation of the Carrying Value of Heritage Assets Held by the Council

Movement on Balances 2023/24	Buildings	Museum Exhibits	Statues & Monuments	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2023	2,608	112,247	5,876	120,731
Additions	-	186	-	186
Impairment losses recognised in surplus/deficit on the provision of services	-	-	-	-
Disposals	-	-	-	-
Revaluations	46	67	-	113
As at 31st March 2024	**2,654**	**112,500**	**5,876**	**121,030**

2022/23 Comparative Movements	Buildings	Museum Exhibits	Statues & Monuments	Total Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2022	2,598	123,612	5,876	132,086
				-
Additions	-	24	-	24
Impairment losses/(reversals) recognised in Surplus or Deficit on the Provision of Services	-	(19)	-	(19)
Disposals	-	-	-	-
Revaluations	10	(11,370)	-	(11,360)
As at 31st March 2023	**2,608**	**112,247**	**5,876**	**120,731**

Note 17 Intangible Assets

The Council accounts for its computer software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and application software.

All of the Council's intangible assets are amortised over 5 years on a straight-line basis. None of the Council's intangible assets have been internally generated.

	2022/23	2023/24
	£000	£000
Balance at 1st April		
Gross Carrying Amounts	4,370	4,572
Accumulated Amortisation	(3,363)	(3,618)
Net carrying amount at 1st April	**1,007**	**954**
Additions (Purchases)	202	219
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	-	(119)
Disposals in year (gross)	-	-
Disposals in year (amortisation)	-	-
Amortisation applied in Year	(255)	(296)
Gross Carrying Amount at 31st March	4,572	4,672
Accumulated Amortisation	(3,618)	(3,914)
Net Carrying Amount at 31st March	**954**	**758**

Note 18a Financial Instruments - Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Some balance sheet categories, for example current debtors, include both items which are financial instruments and items which are not financial instruments. The tables below shows the carrying values of financial instruments included within the various lines of the council's balance sheet.

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

Financial Assets	Long Term		Short Term	
	31st March 2023	31st March 2024	31st March 2023	31st March 2024
	£000	£000	£000	£000
Measured at Amortised cost				
- Principal at amortised cost	70,000	15,000	127,300	83,000
- Accrued interest	-	-	1,599	798
Measured at fair value	-	-	6,997	6,517
Total Investments	**70,000**	**15,000**	**135,896**	**90,315**
Measured at Amortised cost				
- Cash (including bank accounts)	-	-	49,323	55,819
Measured at fair value				
- Cash equivalents	-	-	33,450	35,000
Total Cash and Cash Equivalents	**-**	**-**	**82,773**	**90,819**
Measured at Amortised cost				
- Trade receivables and other debtors	4,121	4,417	42,508	65,765
- Loans made for service purposes	6,099	5,321	354	358
Included in Debtors	**10,220**	**9,738**	**42,862**	**66,123**
Total Financial Assets	**80,220**	**24,738**	**261,531**	**247,257**

Note 18a Financial Instruments - Classifications (continued)

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

Financial Liabilities	Long Term		Short Term	
	31st March 2023	31st March 2024	31st March 2023	31st March 2024
	£000	£000	£000	£000
Measured at Amortised cost				
- Principal sum borrowed	179,491	134,491	23,975	34,075
- Accrued interest	-	-	1,614	1,526
- EIR adjustments	612	-	-	608
Total Borrowing	**180,103**	**134,491**	**25,589**	**36,209**
Measured at Amortised cost				
- Finance leases	7,715	7,646	-	-
- PFI arrangements	61,265	57,771	-	-
- Transferred debt liability	19,723	19,075	-	-
- Other	89	89	-	-
Included in Other Long-term Liabilities	**88,792**	**84,581**	**-**	**-**
Measured at Amortised cost				
- Finance leases	-	-	216	63
- PFI arrangements	-	-	4,396	3,499
- Transferred debt liability	-	-	975	795
- Trade payables and other creditors	-	-	77,654	107,378
Included in Short term Creditors	**-**	**-**	**83,241**	**111,735**
Total Financial Liabilities	**268,895**	**219,072**	**108,830**	**147,944**

Note 18b Financial Instruments - Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments consist of the following items:

	Financial Liabilities	Financial Assets		
	Amortised Cost	Amortised Cost	Other	2023/24 Total
	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	479	479
Financial assets measured at amortised cost	-	(164)	-	(164)
Net (gains)/losses	-	**(164)**	**479**	**315**
Interest expense	19,562	-	-	19,562
Interest payable and similar charges	**19,562**	-	-	**19,562**
Interest income	-	(7,557)		(7,557)
Dividends	-	-	(327)	(327)
Interest and investment income	-	**(7,557)**	**(327)**	**(7,884)**
Net (Gain)/Loss for the Year	**19,562**	**(7,721)**	**152**	**11,993**

	Financial Liabilities	Financial Assets		
	Amortised Cost	Amortised Cost	Other	2022/23 Total
	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	1,651	1,651
Financial assets measured at amortised cost	-	(104)	-	(104)
Net (gains)/losses	-	**(104)**	**1,651**	**1,547**
Interest expense	19,830	-	-	19,830
Interest payable and similar charges	**19,830**	-	-	**19,830**
Interest income	-	(2,359)	(1,726)	(4,085)
Dividends	-	-	(290)	(290)
Interest and investment income	-	**(2,359)**	**(2,016)**	**(4,375)**
Net (Gain)/Loss for the Year	**19,830**	**(2,463)**	**(365)**	**17,002**

Note 18c Financial Instruments - Fair Values

The majority of the council's financial instruments are held at amortised cost with the exception of some financial assets which are carried in the balance sheet at fair value.

When considering the fair value of financial instruments, the authority categorises inputs to valuations within the following hierarchy:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities, e.g. bond prices. There are only Money Market funds at this hierarchy level and they are quoted at the active market price.
- Level 2 – fair value is calculated from inputs other than quoted prices that are observable for the asset or liability, e.g. interest rates or yields for similar instruments. Most financial instruments valued at this level are based on observed market rates for similar transactions. However, for lease payables, PFI liabilities and transferred debt liabilities they are based on discounting at AA corporate bond yields.
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness. This applies to loans to other companies and they are quoted at estimated creditworthiness.

Fair Value Determination Methods

- Cash Equivalents - Money Market Funds: Valued at Level 1 using quoted market prices.
- Property Unit Trusts: Valued at Level 2 using observable market inputs.
- Long-term Loans to Local Authorities and Companies: Valued at Level 2 using observed market rates for similar instruments.
- Finance Lease: Valued at Level 2 based on discounting future lease payments.
- Long-term Loans from PWLB and LOBO Loans: Valued at Level 2 using observed market rates for similar instruments.
- Other Long-term Loans: Valued at Level 2 using observed market rates.
- Lease Payables and PFI Liabilities: Valued at Level 2 using discounting based cash flows.
- Transferred Debt Liabilities: Valued at Level 2 using observed market rates.

The following tables show amounts held for financial instruments as at 31st March 2024 and their corresponding fair values.

The fair value of financial liabilities held at amortised cost are broadly in line with their balance sheet carrying amount because the money was borrowed when interest rates were at a similar rate to what they are now.

		31st March 2023		31st March 2024	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
Financial assets held at fair value:					
Cash equivalents - Money market funds	1	33,450	33,450	35,000	35,000
Property Unit Trusts	2	6,997	6,997	6,517	6,517
Financial assets held at amortised cost:					
Long-term loans to local authorities	2	70,000	67,515	15,000	15,258
Long-term loans to companies	3	5,142	5,142	4,716	4,716
Finance Lease	3	957	957	604	604
Total		**116,546**	**114,061**	**61,837**	**62,095**
Assets for which fair value is not disclosed *		225,204	-	210,157	-
Total Financial Assets		**341,750**	**114,061**	**271,994**	**62,095**
Recorded on balance sheet as:					
Long-term debtors		10,220		9,737	
Long-term investments		70,000		15,000	
Short-term debtors		42,862		66,123	
Short-term investments		135,896		90,315	
Cash and cash equivalents		82,773		90,820	
Total Financial Assets		**341,751**		**271,995**	

*The fair value of short-term financial assets including trade receivables is assumed to be approximate to the carrying amount.

Note 18c Financial Instruments - Fair Values (continued)

		31st March 2023		31st March 2024	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
Financial liabilities held at amortised cost:					
Long-term loans from PWLB	2	134,491	118,891	134,491	119,889
Long-term LOBO loans **	2	20,612	23,327	20,608	22,969
Other long-term loans	2	25,000	23,536	-	-
Lease payables and PFI liabilities	2	73,591	91,376	68,979	46,932
Transferred debt liabilities	2	20,698	22,600	19,870	10,231
Total		**274,392**	**279,730**	**243,948**	**200,021**
Liabilities for which fair value is not disclosed *		103,332		123,068	
Total Financial Liabilities		**377,724**	**279,730**	**367,016**	**200,021**
Recorded on balance sheet as:					
Short-term creditors		83,241		111,734	
Short-term borrowing		25,589		36,209	
Long-term creditors		-		-	
Long-term borrowing		180,103		134,491	
Other long-term liabilities		88,792		84,581	
Total Financial Liabilities		**377,725**		**367,015**	

*The fair value of short-term financial liabilities including trade payables is assumed to approximate to the carrying amount.

**LOBO's are shown as short term on the balance sheet as the lender can exercise their option in January 2025.

Note 18d Nature and Extent of Risks arising from Financial Instruments

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

- Credit Risk: The possibility that the counterparty to a financial asset will fail to meet its contractual obligations, causing a loss to the Council.
- Liquidity Risk: The possibility that the Council might not have the cash available to make contracted payments on time.
- Market Risk: The possibility that an unplanned financial loss will materialise because of changes in market variables such as interest rates or equity prices.

The Council'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 Treasury Management team under the policies approved by Council in the Treasury Management Strategy.

a) Credit Risk

Credit risk is the risk that amounts due to the Council may not be received. Amounts due to the Council from financial assets can arise either from loans and investments made, or from income receivable for goods or services provided by the Council.

The majority of the Council's loans and investments are made for treasury management purposes; the parameters within which these investments are made are set out within the Council's approved Treasury Management Strategy. Credit risk is minimised through the strategy as it stipulates a number of controls for different investment types such as limits on the maximum sum to be invested, the investment period and required independent credit ratings institutions must hold.

The Council's maximum exposure to credit risk in relation to its investments in commercial institutions (banks and building societies) of £35m as at 31st March 2024 (£33m as at 31st March 2023) 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. The Council's exposure to credit risk in relation to its investments in other local authorities is £98m (£197m as at 31st March 2023). Such investments are assessed to be virtually risk free. A risk of non-recovery applies to all of the Council's deposits, but there was no evidence at 31st March 2024 or subsequently that this was likely to crystallise.

The financial standing of remaining long-term loan recipients and finance lessees are checked before they are granted. There is no uniform practice in respect of other customers, but many of these are receiving a service linked to the social aims and objectives of the Council where it would not be practicable to assess the customer's financial standing as a precondition for the provision of that service. The Council operates an active debt recovery policy, to ensure that amounts due are collected as promptly as possible. Trade debtors are carried in the Council's balance sheet net of an impairment provision, which is estimated on the basis of known factors affecting individual debtors and previous history of collectability for different types of debtor. This represents the extent to which the Council estimates that the debt may be uncollectable (this is known as the expected credit loss) and a provision of £16.9m was made in in 2023/24 (£19.4m in 2022/23). The Council does not write off debt from its Balance Sheet until all options for debt collection have been exhausted, a process that often will take a number of years. Notwithstanding the carrying amount as reported on the balance sheet has been reduced to account for impairment in line with the code.

Note 18d Nature and Extent of Risks arising from Financial Instruments (continued)

b) Liquidity risk

The Council has ready access to borrowing at favourable rates from the Public Works Loan Board and other local authorities, and at higher rates from banks and building societies. There is no perceived risk that the Council will be unable to raise finance to meet its commitments. It is however exposed to the risk that it will need to refinance a significant proportion of its borrowing at a time of unfavourably high interest rates. This risk is managed by maintaining a spread of fixed rate loans.

The maturity analysis of the principal sums borrowed included to the right.

The Council has £20m (2023: £20m) of "Lender's option, borrower's option" (LOBO) loans where the lender has the option on set dates to propose an increase in the rate payable; the Council will then have the option to accept the new rate or repay the loan without penalty. The lender therefore has the effective right to demand repayment and so these loans are shown as maturing on the next option date.

Time to maturity (years)	31st March 2023 £000	31st March 2024 £000
Not over 1	30,250	40,940
Over 1 but not over 2	25,099	4,550
Over 2 but not over 5	15,629	15,077
Over 5 but not over 10	26,971	28,807
Over 10 but not over 20	27,772	21,509
Over 20 but not over 30	135,526	135,152
Over 30	38,734	13,513
Total	**299,981**	**259,548**

Note 18d Nature and Extent of Risks arising from Financial Instruments (continued)

c) Market Risks

Interest Rate Risk

The Council 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 Council. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest expense will rise
- borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- investments at variable rates – the interest income credited will rise
- investments at fixed rates – the fair value of the assets will fall.

Investments classed as “amortised cost” and loans borrowed are not carried at fair value, so changes in their fair value will have no impact on Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services. Movements in the fair value of fixed rate investments classed as “Other” will be reflected in the Comprehensive Income and Expenditure Statement.

The accounting arrangements for “Lender’s Option, Borrower’s Option” (LOBO) loans is more complex. These are loans where the lender has a periodic option to propose an increase is the rate of interest payable on the loan and the borrower has the option to decline this increase and to repay. In the event that a statement increase was accepted the carrying amount of the loan is recalculated and the increase in the carrying amount of the loan will reflect the net present value of the increase in interest payments in future years. The increase in the carrying amount of the loan will be accounted for as an immediate charge to the Comprehensive Income and Expenditure. In simple terms, a relatively small increase in the annual interest payable will be accounted for as a far larger sum once the net present value of all future increases is calculated.

The Treasury Management Strategy aims to mitigate these risks by setting upper limits on its net exposures to fixed and variable interest rates.

If all interest rates had been 1% higher (with all other variables held constant) the financial effect would be:

	£000
Increase in interest receivable on variable rate investments	417
Increase in interest receivable on short term investments	36
Increase in interest payable on variable rate loans	(240)
Impact on Surplus or Deficit on the Provision of Services	**213**
Decrease in fair value of available for sale financial assets	0
Impact on Comprehensive Income and Expenditure	**0**
Decrease in fair value of loans and receivables *	936
Decrease in fair value of fixed rate borrowings/liabilities *	31,833

*No impact on Comprehensive Income and Expenditure Statement

The approximate impact of a 1% fall in interest rates would be as above but with the reverse movement.

Note 19 Inventories

The value of inventories as at 31st March :

	Balance at 31st March 2023	Balance at 31st March 2024
	£000	£000
Consumable Stores	415	437
Maintenance Materials	2,494	2,298
Work in Progress	249	517
Total	**3,158**	**3,252**

Note 20 Debtors

Long-Term Debtors

The value of long-term debtors as at 31st March :

	Balance at 31st March 2023	Balance at 31st March 2024
	£000	£000
PFI & Other Leases	3,215	3,078
Other Long Term Debtors	7,005	6,659
Total	**10,220**	**9,737**

Short-Term Debtors

The value of short-term debtors as at 31st March:

	Balance at 31st March 2023	Balance at 31st March 2024
	£000	£000
Central Government bodies	14,903	16,365
Other Local Authorities	6,429	19,081
NHS bodies	5,794	7,834
Other Entities and Individuals	25,740	30,957
Payments in Advance	8,558	7,388
Local Taxation (Council Tax & Business Rates)	18,041	19,950
Total	**79,465**	**101,575**

Note 21 Cash and Cash Equivalents

The value of cash and cash equivalents as at 31st March:

	Balance at 31st March 2023	Balance at 31st March 2024
	£000	£000
Cash held by the Council	21	29
Bank	49,302	55,790
Short-term deposits	33,450	35,000
Total Cash and Cash Equivalents	**82,773**	**90,819**

Note 22 Assets Held for Sale

The value of assets held for sale as at 31st March:

	2022/23	2023/24
	£000	£000
Balance at 1st April	19	6,583
Property, Plant and Equipment newly classified as held for sale	6,183	-
Property, Plant and Equipment declassified as held for sale	(17)	(2,164)
Assets Sold	-	(1,584)
Other Adjustments	398	249
Balance at 31st March	**6,583**	**3,084**

Note 23 Creditors

The value of creditors as at 31st March:

	Balance at 31st March 2023 £000	Balance at 31st March 2024 £000
Central Government bodies	45,160	30,303
Other Local Authorities	8,435	9,697
NHS bodies	812	907
Public Corporations and Trading Funds	562	-
Other Entities and Individuals	86,315	111,079
Receipts in Advance	42,978	23,019
Total	**184,262**	**175,005**

Note 24 Provisions

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

	Insurance	Housing Benefits	s117 Mental Health Act	Housing	Business Rate Appeals	Total
	£000	£000	£000	£000	£000	£000
Balance at 1st April 2022	**3,292**	**657**	**39**	**436**	**8,899**	**13,323**
Net Movement (additions less amounts used)	320	-	(39)	49	(3,043)	(2,713)
Balance at 1st April 2023	**3,612**	**657**	**-**	**485**	**5,856**	**10,610**
2023/24 Provisions/(Reductions)	867	(657)	-	-	(2,766)	(2,556)
Amounts used in 2023/24	-	-	-	-	1,302	1,302
Balance at 31st March 2024	**4,479**	**-**	**-**	**485**	**4,392**	**9,356**

Payment of Insurance Claims

The Authority holds funds to meet the costs of insurance claims, for both claims received but not yet settled and claims that will be received in the future. The sum of £4.5m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £5.3m is held as an earmarked reserve (as per Note 10), to meet the costs of liabilities incurred for which claims have not been received. Periodically, the fund value is reviewed by actuaries.

Housing Benefit Subsidy Claims

The Council pays and administers Housing Benefit within Leicester and receives subsidy from the Government to reimburse it for amounts paid out. The amount of subsidy received is based on a claim completed annually.

Claims are subject to audit and often give rise to the discovery of overpayments to some benefits recipients. This can lead to the value of the claim being amended, based on an extrapolation. A provision was previously maintained based on the total value of the subsidy claims outstanding. In recent years the provision has not been required so has been reduced to nil.

Housing Provisions

The sum is held in respect of HRA liabilities within the Housing service including losses on stock and liabilities to other third parties.

Business Rate appeals

A number of appeals against rateable value assessments have not been determined by the Valuation Office Agency. If successful, there will be a retrospective reduction in income. Therefore, a provision has been charged to the collection fund calculated at a total of £9m (Council share of £4.4m).

Note 25 Usable Reserves

Movements in the Council's usable reserves are detailed in the table below, which indicates the statement or note that provides further detail.

	Opening Balance £000	Movement £000	Closing Balance £000	Supporting Note
General Fund	(15,000)	-	(15,000)	MIRS and Narrative Statement
Earmarked Reserves	(302,346)	9,692	(292,654)	Note 10 and Narrative Statement
Total General Fund Reserves	**(317,346)**	**9,692**	**(307,654)**	
Housing Revenue Account	(25,377)	2,661	(22,716)	HRA Statements and Notes
Major Repairs Reserve	-	-	-	Note 9 and HRA Note 13
Capital Receipts Reserve	(123,122)	(1,533)	(124,655)	Note 9
Capital Grants Unapplied Reserve	(25,822)	479	(25,343)	Note 9
Total Usable Reserves	**(491,667)**	**11,299**	**(480,368)**	

Note 26a Unusable Reserves

Unusable reserves contain items that illustrate the difference between the Council's financial position under accounting standards (the "accounting basis") and the amount charged to the taxpayer for the year (the "funding basis").

	31st March 2023	31st March 2024
	£000	£000
Revaluation Reserve	(1,316,634)	(1,156,837)
Capital Adjustment Account	(1,061,239)	(1,044,197)
Financial Instruments Adjustment Account	18,426	19,949
Deferred Capital Receipts Reserve	(1,015)	(989)
Pensions Reserve	36,012	34,355
Collection Fund Adjustment Account	(8,419)	(464)
Accumulated Absences Account	9,973	6,449
Dedicated Schools Grant Adjustment Account	5,994	9,648
Total Unusable Reserves	**(2,316,902)**	**(2,132,086)**

Note 26b Unusable Reserves (continued)

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment, heritage assets, assets held for sale 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 1st 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.

	2022/23	2023/24
	£000	£000
Balance at 1st April	**(1,195,684)**	**(1,316,634)**
Upward revaluation of assets	(189,315)	(84,945)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	43,254	159,983
(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	**(146,061)**	**75,038**
Difference between fair value depreciation and historical cost depreciation	24,437	24,781
Accumulated gains on assets sold or scrapped	674	59,980
Balance at 31st March	**(1,316,634)**	**(1,156,835)**

Note 26c Unusable Reserves (continued)

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 enhancement of those assets under statutory provisions. The account is credited with sums provided to fund capital expenditure, both current and previous, with sums being transferred from the capital receipts reserve, capital grants and contributions, the Major Repairs Reserve and the General Fund (either direct funding or provision for repayment of borrowing). The account is debited with the reversal of sums charged to the CIES (to reflect the use of the asset by services) to avoid an impact on the General Fund. These charges include depreciation, impairment and amortisation.

The account contains revaluation gains accumulated on property, plant and equipment, heritage assets, assets held for sale and intangible assets before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains. The table below provides details of the source of all the transactions posted to the account.

	2022/23	2023/24
	£000	£000
Balance at 1st April	**(1,035,385)**	**(1,061,239)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	82,285	84,932
Revaluation (gain)/loss on Property, Plant and Equipment	9,719	(1,634)
Amortisation of intangible assets	255	296
Revenue expenditure funded from capital under statute	30,911	25,464
Amounts of non-current assets written off on disposal or sale as part of the (gain)/loss on disposal to the Income and Expenditure Statement	28,883	129,374
	(883,332)	**(822,807)**
Adjusting amounts written out of the Revaluation Reserve	(25,111)	(84,761)
Net written out amount of the cost of non-current assets consumed in the year	**(908,443)**	**(907,568)**
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(16,892)	(22,416)
Use of the Major Repairs Reserve to finance new capital expenditure	(15,558)	(14,323)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(104,484)	(79,527)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,795)	(14,340)
Voluntary provision for the financing of capital investment charged against the General Fund and HRA balances	-	-
Capital expenditure charged against the General Fund and HRA balances	(1,067)	(6,024)
Balance at 31st March	**(1,061,239)**	**(1,044,197)**

Note 26d Unusable Reserves (continued)

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.

The Council uses the account to manage discounts and premia paid on the early redemption of loans. Discounts are credited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Premia are debited to the CIES when they are incurred, but reversed out of the General Fund Balance to the account in the Movement in Reserves Statement. Over time, the income (on discounts) and the expense (on premia) are posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax.

The statutory arrangements referred to came into force on 1st April 2007 and applied to unamortised balances as at that date. The bulk of the outstanding balance is amortised over 10 years from that date with part of that balance being amortised over shorter periods.

The general policy is that any premia that are incurred in the future will be amortised over the longer of the residual life of the loan repaid or the life of any replacement loan that was taken. Shorter amortisation periods may be adopted, however, when this is considered prudent. Any discount that is received in the future will be amortised over the residual life of the loan repaid.

	2022/23	2023/24
	£000	£000
Balance at 1st April	**19,047**	**18,426**
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	(621)	1,522
Balance at 31st March	**18,426**	**19,948**
Amount 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	(621)	1,522

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve (DCRR) holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. For the Council these amounts relate to mortgage loans made in respect of the purchase of Council dwellings and to properties leased out under finance leases. Under statutory arrangements, the Council does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When mortgage and lease payments are made the principal repayment element of these amounts are transferred to the Capital Receipts Reserve.

	2022/23	2023/24
	£000	£000
Balance at 1st April	**(1,045)**	**(1,015)**
Transfer of deferred sale proceeds to the DCRR	-	-
Transfer to the Capital Receipts Reserve upon receipt of cash	30	26
Balance at 31st March	**(1,015)**	**(989)**

Note 26f Unusable Reserves (continued)

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 Council 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, and 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 Council 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 shortfall in the benefits earned by past and current employees and the resources the Council 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.

	2022/23	2023/24
	£000	£000
Balance at 1st April	**589,789**	**36,012**
Remeasurement of the Net Defined Benefit Liability	(602,486)	17,997
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	107,455	42,780
Employer's pensions contributions and direct payments to pensioners payable in the year	(58,746)	(62,434)
Balance at 31st March	**36,012**	**34,355**

Note 26g&h Unusable Reserves (continued)

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2022/23	2023/24
	£000	£000
Balance at 1st April	**15,723**	**(8,419)**
Amount by which council tax income credited to the Comprehensive Income and Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	(24,142)	7,954
Balance at 31st March	**(8,419)**	**(465)**

	2022/23	2023/24
	£000	£000
Balance at 1st April	**8,879**	**9,973**
Settlement or cancellation of accrual made at the end of the preceding year	(8,879)	(9,973)
Amounts accrued at the end of the current year	9,973	6,449
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	**1,094**	**(3,524)**
Balance at 31st March	**9,973**	**6,449**

Accumulated Absences Account

The Accumulated Absences 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 (i.e. annual leave entitlement carried forward at 31st March each year). Statutory arrangements require that the impact on the General Fund Balance is neutralised by transfers to or from the Account.

Note 26i Unusable Reserves (continued)

Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant Adjustment Account holds accumulated deficits relating to the schools budget. Where an authority has incurred a deficit between the 1st April 2020 to 31st March 2024, the authority is required to reverse this out to an unusable reserve as part of a temporary statutory override. The Council is unable to charge these deficits to the General Fund.

	2022/23	2023/24
	£000	£000
Balance at 1st April	**3,643**	**5,994**
School budget deficit transferred from General Fund in accordance with statutory requirements	2,351	3,654
Balance at 31st March	**5,994**	**9,648**

Note 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2022/23	2023/24
	£000	£000
Interest received	(4,370)	(7,884)
Interest paid	16,347	1,166
Net interest	**11,977**	**(6,718)**

The surplus on the provision of services has been adjusted for the following non-cash movements:

	2022/23	2023/24
	£000	£000
Depreciation	(57,731)	(61,665)
Downward revaluations, impairment losses and reversal of prior year impairments	(35,497)	(23,047)
Amortisation	(255)	(296)
Increase / (decrease) in creditors	28,630	5,914
(Increase) / decrease in debtors	1,336	21,542
(Increase) / decrease in inventories	(215)	94
Movement in pension liability	(48,709)	19,654
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(21,834)	(126,946)
Other non-cash items charged to the net surplus or deficit on the provision of services	1,061	773
	(133,214)	**(163,977)**

Note 27 Cash Flow Statement - Operating Activities (continued)

The surplus or deficit on the provision of services has been adjusted for the following items that are investing or financing activities:

	2022/23	2023/24
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	61,154	78,852
Proceeds from the sale of property plant and equipment, investment property and intangible assets	35,172	24,438
	96,326	**103,290**

Note 28 Cash Flow Statement - Investing Activities

	2022/23	2023/24
	£000	£000
Purchase of property, plant and equipment and intangible assets	110,729	114,669
Purchase of short-term and long-term investments	162,800	73,000
Proceeds from sale of property, plant and equipment and intangible assets	(35,172)	(24,438)
Proceeds from short-term and long-term investments	(158,499)	(172,299)
Other receipts from investing activities	(58,695)	(80,889)
Net Cash Flows from Investing Activities	**21,163**	**(89,957)**

Note 29 Cash Flow Statement - Financing Activities

	2022/23	2023/24
	£000	£000
Cash receipts of short and long-term borrowing	(49,350)	(38,600)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	961	4,612
Repayments of short and long-term borrowing	37,854	73,504
Net Cash Flows from Financing Activities	**(10,535)**	**39,516**

Note 30 - Pooled Budgets

The Council has entered into the following pooled budget arrangement under Section 75 of National Health Services Act 2006:

Supply of Integrated Community Equipment Loan Services (ICELS)

This is an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and the Integrated Care Board (ICB) in the areas covered by the councils. Leicester City Council acts as the host partner.

The City Council contributed £0.78m (Adult Social Care contribution of £0.70m and Education contribution of £0.08m) to the pool during 2023/24 (£0.73m in 2022/23 of which Adult Social Care contributed £0.65m and Education contributed £0.08m) and this expenditure is also included in the Adult Social Care line and the Education and Children's Services line of the Comprehensive Income and Expenditure Statement.

As host partner Leicester City Council commissions the goods and services, with each partner then accounting for their own share of these goods and services, as set out in the table on the righthand side.

	2022/23	2023/24
	£000	£000
Funding provided to the pooled budget:		
Leicester City Council	733	783
Leicestershire County Council	1,463	1,459
Rutland County Council	78	85
NHS Leicester, Leicestershire & Rutland ICB	4,778	5,088
Total Funding provided to the pooled budget	**7,052**	**7,415**
Total Expenditure met from the pooled budget	**7,052**	**6,783**

Note 30 Pooled Budgets (continued)

Better Care Fund

This is an arrangement between Leicester City Council and NHS Leicester, Leicestershire and Rutland integrated care board (ICB) to meet the aims and benefits prescribed in the section 75 agreement by delivering a robust and more integrated service between health and social care.

The Better Care Fund (BCF) has been established by the Government to provide funds to local areas to support the integration of health and social care. The grant is to be used for the purposes of meeting adult social care needs; reducing pressures on the NHS including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

It is a requirement of the BCF that the ICB and LCC establish a pooled fund/budget for this purpose. The ICB acts as the host partner.

The City Council contributed £20.5m to the pool in 23/24 (£18.6m Adult Social Care and £1.9m City Development and Neighbourhoods). In 22/23 this was £20.3m (£18.4m Adult Social Care and £1.9m City Development and Neighbourhood). This expenditure is also included in those respective lines in the Comprehensive Income and Expenditure statement.

	2022/23	2023/24
	£000	£000
Income		
Revenue		
ICB Minimum Fund	28,136	29,727
Improved Better Care Fund (IBCF)	17,556	17,557
Total Revenue Income	**45,692**	**47,284**
Capital Disabled Facilities Grant	2,714	2,951
Total Income	**48,406**	**50,235**
Expenditure		
Revenue		
Actual Spend incurred by LCC managed schemes incl IBCF	36,198	37,276
Actual spend incurred by ICB & LPT (Leicestershire Partnership Trust) managed schemes	9,494	10,008
Total Revenue Expenditure	**45,692**	**47,284**
Capital		
Disabled Facilities Grant	2,714	2,951
Total Capital Expenditure	**2,714**	**2,951**
Total Expenditure	**48,406**	**50,235**

Details of the income and expenditure in the pool are provided in the table above.

- Activity where funding was received and expended under the control of the ICB has been accounted for in their accounts
- Activity where funding was received and expended under the control of the Council has been accounted for in the Council's accounts
- Activity where funding was under joint control has been accounted for on the basis of the share for each organisation

Note 31 Members' Allowances

The Council paid the following amounts to members of the Council during the year:

	2022/23	2023/24
	£	£
Basic Allowance Payments	625,276	631,753
Special Responsibility Payments	403,191	346,516
General Expense Payments	73,947	73,693
Total	**1,102,414**	**1,051,962**

Note 32 Officers' Remuneration

This note comprises two parts. The first discloses the remuneration of the Council's most senior officers. The second part discloses the total number of 'higher paid' Council officers whose remuneration exceeded £50k during 2023/24, shown in bands and excluding those senior officers in the first part.

Part 1 - Senior Employees' Remuneration

The table shows the amounts paid to the holders of senior posts in 2023/24 with comparative data from 2022/23 where applicable.

Senior employees are defined as certain statutory chief officer posts (including the Head of Paid Service), those earning over £150k per annum and those earning less than this sum but reporting directly to the Head of Paid Service (Chief Operating Officer).

Remuneration in this table (as defined in statutory regulations) includes salary, fees/allowances, employer's pension contributions, taxable benefits and any compensation for loss of office.

Post	Financial Year	Salary, Fees and Allowances	Pension Contributions	Compensation for loss of office	Total
		£	£	£	£
Chief Operating Officer - Alison Greenhill (Head of Paid Service)	2023/24	157,965	40,527	-	**198,492**
	2022/23	152,629	38,904	-	**191,533**
Director Delivery, Communications & Political Governance (Note 1)	2023/24	109,948	30,566	-	**140,514**
	2022/23	108,527	30,062	-	**138,589**
Director of Corporate Services (Note 2)	2023/24	12,378	3,116	-	**15,494**
Director of Finance - S151 Officer	2023/24	94,621	26,305	-	**120,926**
	2022/23	31,976	8,857		**40,833**
City Barrister & Head of Standards - Monitoring Officer (Note 3)	2023/24	85,666	23,765	-	**109,431**
	2022/23	82,775	22,879	-	**105,654**
Strategic Director Social Care and Education (Note 4)	2023/24	98,693	27,437	-	**126,130**
	2022/23	143,033	39,620	-	**182,653**
Strategic Director Social Care and Education (Note 4)	2023/24	23,050	6,408	-	**29,458**
Strategic Director - City Development & Neighbourhoods	2023/24	148,039	41,155	-	**189,194**
	2022/23	143,033	39,620	-	**182,653**
Director of Public Health (Note 5)	2023/24	42,391	5,449	-	**47,840**
	2022/23	101,869	12,913	-	**114,782**
Director of Public Health (Note 5)	2023/24	91,859	25,487	-	**117,346**

Notes:

1) The Director of Delivery, Communications & Political Governance left in February 2024

2) The new Director of Corporate Services took up the role in February 2024

3) The City Barrister works on a part time basis

4) The Strategic Director of Social Care and Education left in November 2023 and was replaced by a new Director in February 2024

5) The Director of Public Health left in August 2023 and was replaced by a new Director in September 2023

Note 32 Officers' Remuneration (continued)

Part 2 - Higher Paid Employees

The number of other Council employees receiving more than £50,000 remuneration for the year are shown in the table to the right. In line with the relevant regulations, the table excludes the senior officers listed in the previous table.

These figures include teaching, senior leadership and support staff within local authority schools. Employees in schools which become academies are only included if their remuneration during the period of the financial year prior to academy conversion (i.e. when the school was under the local authority) exceeded the £50k threshold. Further details of academies' higher paid employees are published by academies themselves or can be requested directly from academies under the Freedom of Information Act 2000.

It should be noted that the definition of remuneration in this table differs from that in the table above (in line with regulations) as it excludes employers' pension contributions.

The table includes compensation for loss of office, so employees who left in the year may appear in a higher band than the equivalent role would appear in based on a normal year's salary. Equally, some posts would not be included in the table based on a normal year's salary, but are included because of payments for compensation for loss of office.

The threshold for inclusion in this report is defined in regulations and remains static at £50k annually. Salaries paid to staff include annual pay increases as and when these are awarded, increasing the scope of the report over time.

Remuneration Band £	Number of Employees					
	Non-Schools		Schools		Total	
	2022/23	2023/24	2022/23	2023/24	2022/23	2023/24
50,000-54,999	97	183	97	105	194	288
55,000-59,999	44	64	37	57	81	121
60,000-64,999	26	48	49	20	75	68
65,000-69,999	32	30	21	32	53	62
70,000-74,999	14	23	11	21	25	44
75,000-79,999	1	7	15	9	16	16
80,000-84,999	7	2	7	10	14	12
85,000-89,999	1	3	5	9	6	12
90,000-94,999	1	-	4	3	5	3
95,000-99,999	-	2	-	3	-	5
100,000-104,999	7	1	1	-	8	1
105,000-109,999	-	5	2	1	2	6
110,000-114,999	-	-	2	2	2	2
115,000-119,999	-	-	-	2	-	2
135,000-139,999	-	-	1	-	1	-
145,000-149,999	-	-	-	1	-	1
Total	**230**	**368**	**252**	**275**	**482**	**643**

Note 33 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

	2022/23	2023/24
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	179	404
Fees payable for the certification of grant claims and returns for the year	54	84
Fees payable in respect of other services provided during the year	30	13
Total	**263**	**501**

Note 34 Dedicated Schools Grant

The Council's expenditure on schools is funded primarily 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 Finance and Early Years (England) Regulations 2017. 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.

Regulations for DSG deficits which affect the financial years between the 1st April 2020 to 31st March 2024 require that, where Local Authorities incur a deficit, that it must be carried forward in the schools budget to be funded from future DSG income. Therefore, this deficit is included in the unusable reserve titled DSG Grant Adjustment Account in Note 26.

Details of the deployment of DSG receivable for 2023/24 are as follows:

2023/24	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2023/24 before Academy recoupment	**-**	**-**	**418,805**
Academy figure recouped for 2023/24	-	-	(173,884)
Total DSG after Academy recoupment for 2023/24	**-**	**-**	**244,921**
Brought forward from 2022/23	-	-	-
Agreed initial budgeted distribution in 2023/24	**101,735**	**143,186**	**244,921**
In year adjustments	106	97	203
Final budgeted distribution for 2023/24	**101,841**	**143,283**	**245,124**
Actual central expenditure for the year	(105,495)	-	(105,495)
Actual ISB deployed to schools	-	(143,283)	(143,283)
Local Authority contribution for 2023/24	-	-	-
In year Carry forward to 2024/25	**(3,654)**	**-**	**(3,654)**
DSG unusable Reserve at the end of 2022/23			(5,994)
Total of DSG unusable reserve at the end of 2023/24			**(9,648)**

2022/23	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2022/23 before Academy recoupment	**-**	**-**	**391,732**
Academy figure recouped for 2022/23	-	-	(143,152)
Total DSG after Academy recoupment for 2022/23	**-**	**-**	**248,580**
Brought forward from 2021/22	-	-	-
Agreed initial budgeted distribution in 2022/23	**92,992**	**155,588**	**248,580**
In year adjustments	332	204	536
Final budgeted distribution for 2022/23	**93,324**	**155,792**	**249,116**
Actual central expenditure for the year	(95,675)	-	(95,675)
Actual ISB deployed to schools	-	(155,792)	(155,792)
Local Authority contribution for 2022/23	-	-	-
Carry forward to 2023/24	**(2,351)**	**-**	**(2,351)**
DSG unusable Reserve at the end of 2021/22			(3,643)
Total of DSG unusable reserve at the end of 2022/23			**(5,994)**

Note 35 Grant Income

Capital grants recognised in the year

The Council received the following capital grants in 2023/24.

These grants are analysed between those credited to the Comprehensive Income and Expenditure Statement and those held as receipts in advance, in line with the Council's accounting policies.

	2022/23	2023/24
	£000	£000
Credited to Services (All REFCUS related)		
DFT ZEBRA Grant	-	2,970
Homes England Grant	-	2,897
Disabled Facilities Grant	1,136	1,905
Devolved Formula Capital Grant	2,821	1,748
Green Homes Grant	1,274	1,661
Levelling Up Fund	1,672	1,425
High Streets Heritage Action Zones	174	481
Other	303	230
S106 Contributions	752	-
ERDF Growth Hub	371	-
DFT Transforming Cities Fund	145	-
Affordable Warmth	17	-
Total Credited to Services	**8,665**	**13,317**

Note 35 Grant Income (continued)

	2022/23	2023/24
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Levelling Up Fund	6,628	22,229
Homes England Grant	-	7,856
DFE Basic Need Grant	1,688	7,483
DFE Capital Maintenance Grant	7,043	7,148
High Needs Provision Capital	8,420	5,437
Business Rates Pool	1,100	4,155
DFT Maintenance Grant	1,812	2,632
DFT Integrated Transport Grant	2,576	2,576
Local Authority Housing Fund	-	2,434
Other DFT Grants	1,450	1,467
DFT Transforming Cities Fund	12,736	1,259
Other	1,302	803
Brownfield Land Release Fund	-	713
Devolved Formula Capital Grant	1,032	662
S106 Contributions	9	603
Green Homes Grant	1,116	322
Other DFE Grants	500	270
DFT ZEBRA Grant	-	3
High Streets Heritage Action Zones	118	-
Affordable Warmth	40	-
ERDF Low Carbon Projects	801	-
ERDF Growth Hub	742	-
Social Housing Decarbonisation Fund*	3,376	(2,518)
Total Credited to Taxation & Non-Specific Grant Income	**52,489**	**65,534**

*This negative balance has arisen as a result of grant being returned to government.

Note 35 Grant Income (continued)

Capital grants received in advance

The Council has received a number of capital grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that have not yet been met. The balances at the year-end are as follows:

	2022/23	2023/24
	£000	£000
Capital Grants Receipts in Advance		
Other DFT Grants	2,349	2,661
Homes England Grant	-	2,267
Local Authority Housing Fund	-	867
Disabled Facilities Grant	725	725
Other DFE Grants	-	558
Other	-	96
Green Homes Grant	366	60
Salix	-	22
Devolved Formula Capital Grant	2,025	8
DFT Breathe Grants	184	-
Total Capital Grants Receipts in Advance	**5,649**	**7,264**
Capital Receipts not Recognised (deposits)	48	14
Total Received in Advance	**5,697**	**7,278**

Note 35 Grant Income (continued)

Revenue grants recognised in the year

The Council received the following revenue grants in 2023/24.

These grants are analysed between those credited to the Comprehensive Income and Expenditure Statement and those held as receipts in advance, in line with the Council's accounting policies.

There are a number of grants marked as other Covid-19 grants, which were received as a consequence of the pandemic.

	2022/23	2023/24
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	29,923	33,413
Social Services Support Grant	17,659	28,101
Section 31 Grants	21,130	30,069
Covid-19 Collection Fund Compensation Grants	4,347	-
New Homes Bonus Scheme	2,803	125
Other	8,618	4,098
Other Covid-19 Grants	430	-
Total Credited to Taxation & Non-Specific Grant Income	**84,910**	**95,806**
Credited to Services		
Children's and Education Services		
Dedicated Schools Grant (see note 34)	248,580	245,018
Other Education	31,044	37,178
Pupil Premium	12,917	11,315
Other Covid-19 Grants	2,346	1,840
Adult Social Care		
Improved Better Care Fund	17,556	17,556
Other Adult Social Care	4,163	11,140
Other Covid-19 Grants	534	64
Public Health		
Public Health Grant	28,248	29,169
Other Public Health	2,097	2,951
City Development, Neighbourhoods & Housing		
Other City Development, Neighbourhoods & Housing	19,717	18,028
Waste PFI	2,074	2,074
Other Covid-19 Grants	702	127
Corporate and Resources		
Housing Benefit Subsidies	72,711	72,753
Other Covid-19 Grants	4	-
Other Corporate and Resources	10,597	9,625
Housing Benefit & Council Tax Benefit Admin Grant	1,116	1,043
Local Council Tax Support Admin Grant	433	685
Waste PFI	517	517
Elections	94	55
Total Credited to Services	**455,450**	**461,138**
Total Recognised in Year	**540,360**	**556,944**

Note 35 Grant Income (continued)

Revenue grants received in advance

The Council has received a number of revenue grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that have not yet been met. The balances at the year-end are as follows:

	2022/23	2023/24
	£000	£000
Children's and Education Services		
Other Education	1,022	-
Adult Social Care		
Other Adult Social Care	386	245
City Development, Neighbourhoods & Housing		
City Development, Neighbourhoods & Housing	1,720	1,180
Corporate and Resources		
Other Corporate and Resources	1,928	637
Public Health		
Public Health	72	735
Total Receipts in Advance	**5,128**	**2,797**

Note 36 Related Parties

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

The Council is also required to disclose interests it holds in companies and other entities.

Organisations or individuals which are related parties of the Council

Central Government

Central government has effective control over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, provides substantial funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. Council Tax bills, housing benefits). Grant funding received from central government is shown within Note 35 to the accounts.

Members and Officers

Members and senior officers of the Council have direct control of the financial and operating policies of the Council. Members receive allowances for their role and these are detailed in Note 31. Remuneration of senior officers is detailed in Note 32.

All wards in the city are allocated a ward budget of £18k per annum. These budgets are used to fund projects in wards and the allocations are determined by elected members.

Members and officers are also required to disclose any other arrangements giving rise to related party interests.

The Council itself, 20 Members of the Council and 5 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of thirty two different organisations. The Council made a total of £5.6m in payments to twenty seven of these organisations, primarily in the form of grants, works or services. All payments are made with proper consideration of declaration of interest. The relevant members did not take part in any discussion or decision relating to the payments. In addition a total of £1.2m was received from seventeen of the organisations, primarily relating to services provided by the Council and interest on an outstanding loan balance.

A senior officer from the Council sits on the board of directors at Leicestershire County Cricket Club, where there is a balance of £2m outstanding on a loan the Council made.

Details of members' interests are recorded in the Register of Members' Interest open to public inspection at the Town Hall during office hours.

Leicester & Leicestershire Enterprise Partnership (LLEP)

The Council is the accountable body for LLEP. A member of the Council is on the board of directors, along with representatives from Leicestershire County Council, Leicestershire district councils, the private sector, voluntary sector and education sector.

The Council made total payments of £1.5m to the LLEP, in the form of contributions and interest payments due on the balances that the Council holds on their behalf. In addition £4.8m was received, £4.6m from the LLEP relates to grants and £0.2m for the provision of services. These are not included in the related party transactions above.

At 31st March 2024 the council held a balance of £18.2m as accountable body to the LLEP. Further information on the LLEP is included in the narrative statement, page 9.

Note 37 Capital Expenditure and Capital Financing

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases and PFI/PPP contracts), together with the resources that have been used to finance it.

This note also illustrates the Council's Capital Financing Requirement (CFR). The CFR represents the total underlying borrowing required to finance the Council's assets. There are two key points to note about this borrowing:

- Most borrowing used to finance capital expenditure was incurred prior to 2010, when the standard model in local government entailed borrowing funded by central government over the life of the loan. Since 2010, government has provided grant funding upfront to support all government funded capital expenditure. Borrowing is now only undertaken to support schemes that deliver revenue savings sufficient to repay the debt;
- The underlying need to borrow does not necessarily represent external loans taken out, but is generally financed by the Council's free cash flows. This minimises the cost of external borrowing to the Council.

Where capital expenditure is not financed by grant or revenue, the expenditure results in an increase in the Capital Financing Requirement (CFR). Increases in the CFR result in higher levels of Minimum Revenue Provision (MRP) charged to the revenue budget in future years. The Council's policy for the calculation of MRP is set out in its annual budget setting report presented to Council.

		2022/23	2023/24
		£000	£000
Opening Capital Financing Requirement		**599,378**	**591,062**
Capital Investment			
Property, Plant and Equipment		111,467	114,187
Intangible Assets		202	219
Heritage Assets		19	186
Revenue Expenditure Funded from Capital Under Statute		30,911	25,464
Capital Loans Expenditure		1,877	71
De Minimis Capital Spend		4	1
	Sub-total	**144,480**	**140,128**
Sources of Finance			
Capital Receipts		(16,892)	(22,414)
Government Grants & Other Contributions		(104,484)	(79,527)
Sums set aside from revenue:			-
Direct Revenue Contributions		(16,625)	(20,347)
MRP		(14,795)	(14,340)
Voluntary provision of financing		-	-
	Sub-total	**(152,796)**	**(136,628)**
Closing Capital Financing Requirement		**591,062**	**594,562**
Increase/(Decrease) in underlying need to borrow		(9,266)	3,500
HRA CFR adjustment		-	-
Assets acquired under Finance Leases		-	-
Assets acquired under PFI contracts		952	-
Increase/(Decrease) in Capital Financing Requirement		**(8,314)**	**3,500**

Note 38 Leases

Council as Lessee

Finance Leases

The Council has acquired a number of assets under finance leases, including various buildings and IT equipment. The assets acquired under these leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31st March 2023	31st March 2024
	£000	£000
Other Land and Buildings	2,376	2,506
Vehicles, Plant and Equipment	263	197
Total	**2,639**	**2,703**

The Council is committed to making minimum payments under these leases comprising settlement of the long-term liability or the interest in the property acquired by the Council, and finance costs that will be payable by the Council in future years while the liability remains outstanding. The minimum lease payments are made up of the following amounts:

	31st March 2023	31st March 2024
	£000	£000
Finance lease liabilities	7,713	7,804
Finance costs payable in future years	12,818	12,727
Total minimum lease payments	**20,531**	**20,531**

The minimum lease payments will be payable over the following periods:

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2023	31st March 2024	31st March 2023	31st March 2024
	£000	£000	£000	£000
Within one year	479	479	59	63
Within 2 to 5 years	1,918	1,918	267	284
Later than 5 years	18,134	18,134	7,387	7,457
Total	**20,531**	**20,531**	**7,713**	**7,804**

Note 38 Leases (continued)

Operating Leases

The Council leases a number of buildings for operational use. The future minimum lease payments due under non-cancellable leases in future years are:

	31st March 2023	31st March 2024
	£000	£000
Not later than one year	456	456
Later than one year and not later than 5 years	1,756	1,688
Later than 5 years	3,172	2,784
Total	**5,384**	**4,928**

Council as Lessor

Finance Leases

The council has leased out a number of properties on finance leases, two of which are on peppercorn annual payments. The following tables show the lease debtors and lease payments for the remainder:

Finance Lease Debtor	31st March 2023	31st March 2024
	£000	£000
Current	30	27
Non-current	983	629
Unearned finance income	1,555	446
Gross Investment in the lease	**2,568**	**1,102**

The gross investment in the lease and the minimum lease payments will be received over the following periods:

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

Minimum Lease Payments	31st March 2023	31st March 2024
	£000	£000
Within one year	96	48
Within 2 to 5 years	385	193
Later than 5 years	2,087	861
Total	**2,568**	**1,102**

Note 38 Leases (continued)

Operating Leases

The Council leases out a number of buildings for economic support purposes. The future minimum lease payments due under non-cancellable leases in future years are:

The minimum lease payments do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews.

	31st March 2023	31st March 2024
	£000	£000
Not later than one year	5,861	5,161
Later than one year and not later than 5 years	16,999	14,731
Later than 5 years	84,818	81,631
Total	**107,678**	**101,523**

Note 39 Private Finance Initiatives and Service Concession Arrangements

Integrated Waste Management Service

In 2003, the Council entered into a 25 year contract valued in excess of £300m with Biffa Leicester Ltd under the PFI scheme. The arrangement, which became operational in 2004, covers the collection, treatment and disposal of city residents' waste. The contractor took on the obligation to provide assets required to deliver these services, including a recycling facility, purpose-built anaerobic digester for organic waste, and vehicles used in the waste collection and recycling services. At the end of the contract, the assets will be transferred to the Council for nil consideration.

2023/24 was the twenty first year of the operation of the contract, costing £19m (£18m in 2022/23).

Property Plant and Equipment

The assets used to provide the waste management service are provided by the operator, but are recognised on the Council's Balance Sheet annually.

	Other Land & Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000
Balance at 1st April 2023	6,313	3,946	10,259
Additions	-	-	-
Depreciation	(1,285)	(1,231)	(2,516)
Revaluation	(2,659)	-	(2,659)
Balance at 31st March 2024	**2,369**	**2,715**	**5,084**

Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31st March 2024 (excluding future inflation) are as follows:

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed.

The liability outstanding to the contractor for capital expenditure incurred is shown in the table.

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement costs	Total
	£000	£000	£000	£000	£000
Within 1 year	6,692	95	554	1,894	9,235
Within 2 to 5 years	20,814	290	867	5,788	27,759
Total	**27,506**	**385**	**1,421**	**7,682**	**36,994**

	2022/23	2023/24
	£000	£000
Balance outstanding at 1st April	3,371	2,364
Payments during the year	(1,959)	(1,978)
Additions	952	-
Balance at 31st March	**2,364**	**386**

Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

Building Schools for the Future – Phase 1 - Rebuild of Judgemeadow and Soar Valley Community Colleges

In December 2007, the Council entered into a 25-year contract with Leicester BSF Company 1 Limited under a PFI scheme. The contractor was to design, build, finance and operate, on the existing sites, replacement buildings for two community colleges – Judgemeadow and Soar Valley – valued at £34.9m (on completion of the rebuild in 2009). At the end of the contract, as things stand, all assets will revert to Council control. Judgemeadow became an academy in 2018 and Soar Valley in 2023. When a PFI school converts, the Council continues to make payments under this contract from a combination of PFI credits and contributions from schools. At conversion the assets are transferred to the academy, subject to the on-going provisions of the PFI contract. The rebuild for phase 1 was completed in 2009 and 2023/24 was therefore the fifteenth year of the operation of the contract costing £7.5m.

Property Plant and Equipment

The assets used to provide the service are recognised on the Council's Balance Sheet and the transfer of Assets to the Academy Trust, treated as a disposal. The value of fixed assets included within the contract, and an analysis of the movement in those values, are shown below:

	Other Land & Buildings
	£000
Balance at 1st April 2023	47,949
Additions	-
Revaluations	-
Depreciation	(1,229)
Disposal	(46,720)
Balance at 31st March 2024	**-**

Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31st March 2024 are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,596	1,416	2,038	981	7,031
Within 2 to 5 years	11,133	6,847	6,711	4,643	29,334
Within 6 to 10 years	15,821	13,769	4,395	4,033	38,018
Within 11 to 15 years	571	666	15	-	1,252
Total	**30,121**	**22,698**	**13,159**	**9,657**	**75,635**

Although the payments made to the contractor are described as unitary payments, they have been calculated to compensate the contractor for the fair value of the services they provide, the capital expenditure incurred and interest payable whilst the capital expenditure remains to be reimbursed. The liability outstanding to the contractor for capital expenditure incurred is shown:

	2022/23	2023/24
	£000	£000
Balance outstanding at 1st April	25,188	23,855
Payments during the year	(1,333)	(1,157)
Balance at 31st March	**23,855**	**22,698**

Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

Building Schools for the Future – Phase 2 - Rebuild of Crown Hills and City Of Leicester Community Colleges

On 31st March 2012 the City Council committed to a joint PFI project scheme for the re-building of Crown Hills and City of Leicester Community Colleges. The Council is contracted to Leicester BSF Company 2 Limited for 25 years. The new schools became operational at the end of October 2013 with construction costs of £44.6m.

At the end of the contract, as things stand, all assets will revert to City Council control.

Crown Hills College remains under the Council's control while The City of Leicester College has transferred to an Academy. When a PFI school converts, the Council continues to make payments under this contract from a combination of PFI credits and contributions from the school. At conversion assets are transferred to the academy, subject to the on-going provisions of the PFI contract. 2023/24 was the eleventh year of the operation of the contract costing £7.6m.

Property Plant and Equipment

The assets used to provide the service were recognised on the Council's Balance Sheet and the transfer of Assets to the Academy Trust, treated as a disposal. The value of fixed assets is as shown:

	Other Land & Buildings £000
Balance at 1st April 2023	86,677
Additions	-
Disposals	(38,034)
Revaluations/(Impairment)	2,061
Depreciation	(2,143)
Balance at 31st March 2024	**48,561**

Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

Payments

The Council makes an agreed payment each year which is increased by inflation (based on the RPI-X measure) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31st March 2024 are as follows:

	Payment for Services	of Capital Expenditure	Interest	Replacement Costs	Total
	£000	£000	£000	£000	£000
Within 1 year	2,817	1,374	2,150	1,013	7,354
Within 2 to 5 years	12,084	6,049	7,668	4,846	30,647
Within 6 to 10 years	17,122	10,547	6,809	6,479	40,957
Within 11 to 15 years	17,954	13,333	2,593	6,668	40,548
Total	**49,977**	**31,303**	**19,220**	**19,006**	**119,506**

The liability outstanding to the contractor for capital expenditure incurred is as follows:

	2022/23	2023/24
	£000	£000
Balance outstanding at 1st April	33,876	32,263
Payments during the year	(1,613)	(960)
Balance at 31st March	**32,263**	**31,303**

Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

District Energy Heating & Combined Heat Power Scheme

On 14th January 2011 the Council signed an agreement with Leicester District Energy Company Ltd (LDEC Ltd) for the implementation and provision of a district heating and combined heat and power scheme in Leicester.

The scheme involves the replacement of existing heating boilers, the use of existing heating networks and the construction of additional heating networks in the City Centre and some outer Council estates. Leicester University are part of the scheme and their heating and electricity networks are linked into the overall network scheme.

The initial capital investment made by LDEC Ltd for the whole scheme was £13.7m.

Property Plant and Equipment

The assets used to provide the service and directly attributable to the City Council are recognised on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31st March 2024 are shown in the table:

	Vehicles, Plant & Equipment £000
Balance at 1st April 2023	6,118
Depreciation	(408)
Balance at 31st March 2024	**5,710**

Payments

The Council will make payments each year which can be reduced if the contractor fails to meet performance standards. Payments (substantially based on assumed levels of energy consumption) scheduled to be made under the contract at 31st March 2024 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

	Payment for Services £000	Reimbursement of Capital Expenditure £000	Interest £000	Lifecycle Capital Replacement Costs £000	Total £000
Within 1 year	1,793	323	730	215	3,061
Within 2 to 5 years	7,172	1,400	2,811	860	12,243
Within 6 to 10 years	8,965	2,760	2,504	1,076	15,305
Within 11 to 15 years	6,225	2,937	760	753	10,675
Within 16 to 20 years	1,786	38	10	-	1,834
Total	**25,941**	**7,458**	**6,815**	**2,904**	**43,118**

Note 39 Private Finance Initiatives and Service Concession Arrangements (continued)

Liability

The liability outstanding to the contractor for capital expenditure incurred up to 31st March 2024 is as per the following table:

Under the terms of the agreement, at the end of the scheme, or, if earlier, upon termination of the agreement, LDEC Ltd will sell the boiler plant and heating network (such parts that are required to heat all of the City Council's buildings) to the City Council or to a new service provider. The term is designed to ensure that the City Council has a working district heating system at the end of the contract period. At the end of the scheme the expectation is that the sale price would be minimal. Under the agreement the Council has granted to LDEC Ltd licence to exercise rights to use the heat network to supply heat to any third party consumer. Any such supply agreements will be co-terminus with or less than the scheme term.

	2022/23	2023/24
	£000	£000
Liability for capital expenditure incurred for operational phases	7,515	7,205
Payments during the year	(310)	(296)
Balance at 31st March	**7,205**	**6,909**

Note 40 Termination Benefits

The Council terminated the contracts of a number of employees in 2023/24 incurring liabilities of £1.8m (£0.3m in 2022/23). Of this £0.8m (£0.3m in 2022/23) was for redundancy and other departure costs, and £1m (£37k in 2022/23) was the cost arising from the early release of pension benefits as required by the regulations of the Local Government Pension Scheme (LGPS).

The number and cost of exit packages are set out in the table to the right. In 2023/24 the Council approved 33 compulsory redundancies (12 in 2022/23).

Band	Total number of exit packages by cost band	Total Cost of Exit packages 2022/23	Total number of exit packages by cost band	Total Cost of Exit packages 2023/24
£	2022/23	£	2023/24	£
0 - 20,000	15	111,032	56	473,387
20,001 - 40,000	5	139,620	6	159,797
40,001 - 60,000	1	42,508	9	460,709
60,001 - 80,000	-	-	2	136,468
80,001 - 100,000	-	-	2	181,089
100,001 - 160,000	-	-	3	385,872
Total	**21**	**293,160**	**78**	**1,797,322**

Note 41 Pension Schemes Accounted for as Defined Contribution Schemes

Teachers' Pensions

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

The Scheme is 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. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme. Under this treatment, the council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Council's obligation is limited to the amount that it has agreed to contribute to the fund and in consequence, actuarial risk and investment risk fall on the employee.

In 2023/24, the Council paid £17.6m to Teachers' Pensions in respect of teachers' retirement benefits, representing 23.68% of pensionable pay. The figures for 2022/23 were £18.5m and 23.68%.

The Council 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 42.

Public Health

Certain public health employees remain members of the NHS pension scheme. The scheme provides these staff with specified benefits upon their retirement, and the Council contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is an unfunded defined benefit scheme. For the purposes of the Statement of Accounts, it is accounted for on the same basis as a defined contribution scheme. Under this treatment, the council has no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. The Council's obligation is limited to the amount that it has agreed to contribute to the fund and in consequence, actuarial risk and investment risk fall on the employee.

In 2023/24, the Council paid £0.1m to the NHS Pension Scheme in respect of former NHS staff retirement benefits representing 14.38% of pensionable pay.

Note 42 Defined Benefit Pension Schemes

Participation in Pension Schemes

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

The Council participates in three post-employment pension schemes:

- Teachers' Pensions Scheme – see Note 41 for further information
- NHS Pension Scheme – see Note 41 for further information
- The Local Government Pension Scheme (LGPS) administered locally by the Leicestershire County Council – this is a funded defined benefit scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liability with investment assets.

Hymans Robertson, an independent firm of actuaries, has valued the Council's fund asset share and liabilities for the Local Government Pension Scheme.

The accounts have been prepared on the basis of the actuary's updated IAS19 valuation report dated 20th May 2024.

Note 42 Defined Benefit Pension Schemes (continued)

Transactions relating to post-employment benefits (LGPS)

The Council recognises the cost of retirement benefits in the reported cost of services when they are earned by the employees, rather than when the benefits are eventually paid as pensions. However, the charge we are required to make in the accounts is based on the cash payable in the year, so the real cost of post-employment/retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure and the General Fund Balance via the Movement in Reserves Statement during the year.

	2022/23 £000	2023/24 £000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	91,073	45,027
Past service cost	35	61
Settlements and curtailments	-	(3,474)
Total Service Cost	**91,108**	**41,614**
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(47,757)	(81,055)
Interest cost	64,104	78,709
Effect of Asset Ceiling Adjustment	-	3,512
Net Interest Cost	**16,347**	**1,166**
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	**107,455**	**42,780**
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	69,449	(83,887)
Actuarial (gains)/losses arising from changes in demographic assumptions	(14,652)	(10,179)
Actuarial (gains)/losses arising from changes in financial assumptions	(899,704)	(98,203)
Other Experience adjustments	168,492	51,882
Effect of Asset Ceiling Adjustment	73,929	158,384
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	**(602,486)**	**17,997**
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	**(495,031)**	**60,777**
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	107,455	42,780
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(58,746)	(62,434)
Total Movement in Reserves	**48,709**	**(19,654)**

Note 42 Defined Benefit Pension Schemes (continued)

Assets and Liabilities in Relation to Post-employment Benefits

Reconciliation of present value of the scheme liabilities (defined benefit obligation):

	2022/23 £000	2023/24 £000
Balance at 1st April	**2,349,900**	**1,667,167**
Current service cost	91,073	45,027
Past service costs (including curtailments)	35	61
Effect of settlements	-	(9,008)
Interest cost	64,104	78,709
Contributions by scheme participants	12,826	13,393
Benefits paid	(51,645)	(58,692)
Effect of business combinations and disposals	-	643
Remeasurements arising from changes in financial assumptions	(899,704)	(98,203)
Remeasurements arising from changes in other assumptions	115,230	51,882
Remeasurements arising from changes in demographic assumptions	(14,652)	(10,179)
Balance at 31st March	**1,667,167**	**1,680,800**

Reconciliation of fair value of the scheme (plan) assets:

	2022/23 £000	2023/24 £000
Balance at 1st April	**1,760,111**	**1,705,084**
Interest income	47,757	81,055
Effect of settlements	-	(5,534)
Contributions by scheme participants	12,826	13,393
Employer contributions	58,746	62,402
Effect of business combinations and disposals	-	675
Benefits paid	(51,645)	(58,692)
Other Experience	(53,262)	-
Return on plan assets excluding amounts included in net interest	(69,449)	83,887
Balance at 31st March	**1,705,084**	**1,882,270**

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.

Note 42 Defined Benefit Pension Schemes (continued)

Scheme History

	2019/20	2020/21	2021/22	2022/23	2023/24
	£000	£000	£000	£000	£000
Present value of funded obligations	(1,799,983)	(2,390,572)	(2,306,075)	(1,631,155)	(1,646,445)
Present value of unfunded obligations	(45,181)	(50,180)	(43,825)	(36,012)	(34,355)
Fair value of assets in the scheme	1,244,676	1,570,021	1,760,111	1,705,084	1,882,270
Asset Ceiling Adjustment	-	-	-	(73,929)	(235,825)
Surplus/(deficit) in the scheme	**(600,488)**	**(870,731)**	**(589,789)**	**(36,012)**	**(34,355)**

Impact on future cash flows

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. In previous years the Council has shown a significant liability on the pension fund, representing a forecast shortfall in the fund's assets available to pay future costs.

However, last year and this year the Council's share of the pension fund assets has exceeded the related obligations. This is due to the rise in long term interest rates, leading to expected higher returns on investments. Accounting standards require that we do not recognise the net asset on the main part of the pension fund, due to the Council's minimum funding contributions for future years being more than the future years' service cost; which means the asset cannot be realised by the Council. Therefore, the final position shown is a £34m liability which relates to unfunded obligations that cannot be met from scheme assets.

The total contributions expected to be made to the Local Government Pension Scheme by the council in the year to 31st March 2025 is £59.0m. The maturity profile is as follows:

	Liability Split
Active members	42.0%
Deferred members	17.6%
Pensioner members	40.4%
Total	**100.0%**

The weighted average duration of the defined benefit obligation for scheme members is 18 years as at the date of the most recent valuation.

Note 42 Defined Benefit Pension Schemes (continued)

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 dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31st March 2022.

The main assumptions used by the actuary have been:

Local Government Pension Scheme	2022/23	2023/24
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	20.8	20.7
Women	23.9	23.7
Longevity at 65 for future pensioners (years):		
Men	21.7	21.5
Women	25.3	25.1
Benefit entitlement assumptions		
Rate of increase in salaries	3.45%	3.25%
Rate of increase in pensions	2.95%	2.75%
Rate for discounting scheme liabilities	4.75%	4.85%
Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008	55.0%	55.0%
Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008	55.0%	55.0%

Note 42 Defined Benefit Pension Schemes (continued)

The Local Government Pension Scheme’s assets consist of the categories in the table below, by proportion of the total assets held:

	2022/23				2023/24			
	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total	Quoted Prices in Active Markets	Quoted Prices not in Active Markets	Total	Percentage of Total
	£000	£000	£000	Assets	£000	£000	£000	Assets
Equity								
Consumer	181		181	0%	574		574	0%
Manufacturing	856		856	0%	-		-	0%
Energy and Utilities	1,761		1,761	0%	1,199		1,199	0%
Financial Institutions	540		540	0%	1,350		1,350	0%
Health and Care	293		293	0%	1,850		1,850	0%
Information Technology	329		329	0%	-		-	0%
Other	1,397		1,397	0%	1,118		1,118	0%
Debt Securities								
UK Government	78,327	203	78,530	5%	82,481	203	82,684	4%
Other	7,202		7,202	0%	7,561		7,561	0%
Private Equity								
All		116,736	116,736	7%		114,812	114,812	6%
Real Estate								
UK Property		120,840	120,840	7%		121,695	121,695	6%
Investment Fund and Unit Trusts								
Equities	742,970	3,654	746,624	44%	798,060	3,382	801,443	43%
Bonds			-	0%			-	0%
Hedge Funds	8		8	0%	9		9	0%
Commodities		43,795	43,795	3%		43,449	43,449	2%
Infrastructure		139,484	139,484	8%		161,132	161,132	9%
Other	231,827	175,540	407,367	24%	216,312	171,558	387,870	21%
Derivatives								
Foreign Exchange	783		783	0%	110		110	0%
Cash and Cash Equivalents								
All	38,359		38,359	2%	149,804		155,415	8%
Total	**1,104,834**	**600,250**	**1,705,084**	**100%**	**1,260,428**	**616,231**	**1,882,270**	**100%**

Note 42 Defined Benefit Pension Schemes (continued)

Sensitivity Analysis

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below.

Changes in assumptions at 31st March 2024	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	31,632
0.1% increase in the Salary Increase Rate	0%	1,547
1 Year Increase in Life Expectancy	4%	67,008
0.1% increase in the Pension Increase Rate	2%	30,666

The sensitivity figures above can be used to estimate the impact of adopting different financial assumptions. In order to qualify the impact of a change in the financial assumptions used, the value of the scheme liabilities have been calculated at the accounting date on varying bases.

Note 43 Contingent Liabilities

A claim has been lodged with HM Courts and Tribunal Service by Biffa Group Holdings (UK) Limited and group companies, regarding disputed matters in relation to payments due under the PFI contract for waste management (see Note 39). There is potential for this to progress through the high court process, with a full court hearing unlikely to be until 2026. It is not practicable at this time to estimate the financial effect. It is however unlikely that the council will receive any reimbursement.

Note 44 Contingent Assets

The council has no contingent assets to disclose in the 2023/24 accounts.

Note 45 Prior Period Adjustments

The Council has been required to make a prior period adjustment in relation to the accounting treatment of the Better Care Fund. The adjustment removes partner spend and contribution so only Leicester City Council's spend and contribution are contained within our Comprehensive Income and Expenditure statement. This has no effect on the Council's financial position as the result is a net nil adjustment in classification between income and expenditure.

The only effect of this adjustment are the changes detailed below on the Comprehensive Income and Expenditure statement.

As Originally Stated				As Restated			Effect of Restatement		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp	Gross Exp	Income	Net Exp
£000	£000	£000		£000	£000	£000	£000	£000	£000
209,128	(81,717)	127,411	City Development & Neighbourhoods	209,128	(81,717)	127,411	-	-	-
104,586	(84,451)	20,135	Housing Revenue Account (HRA)	104,586	(84,451)	20,135	-	-	-
217,945	(79,780)	138,165	Adult Social Care	199,440	(61,275)	138,165	18,505	(18,505)	-
36,720	(38,214)	(1,494)	Health Improvement & Wellbeing	36,584	(38,078)	(1,494)	136	(136)	-
431,969	(314,809)	117,160	Education & Children's Services	431,969	(314,809)	117,160	-	-	-
60,982	(17,911)	43,071	Corporate Resources & Support	60,982	(17,911)	43,071	-	-	-
73,038	(73,363)	(325)	Housing Benefits	73,038	(73,363)	(325)	-	-	-
93	(296)	(203)	Corporate Items	93	(296)	(203)	-	-	-
-	(517)	(517)	Capital Financing	-	(517)	(517)	-	-	-
1,134,461	**(691,058)**	**443,403**	**Cost of Services**	**1,115,820**	**(672,417)**	**443,403**	**18,641**	**(18,641)**	**-**

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Supplementary Financial Statements & Explanatory Notes

Housing Revenue Account

Housing Revenue Account (HRA) Statements - Income and Expenditure

The Housing Revenue Account (HRA) is a ring-fenced account that represents the Council's social housing service. This service is required by law to be ring-fenced in order to ensure that there is a clear link between rents charged to tenants and expenditure on social housing.

2022/23 £000		Note	2023/24 £000
	Income		
(77,085)	Dwelling Rents	5	(81,969)
(352)	Non-dwelling Rents	6	(357)
(6,036)	Service Charges	6	(10,205)
(978)	Contributions & Miscellaneous income		(789)
(84,451)	**Total Income**		**(93,320)**
	Expenditure		
14,097	General Management		14,049
15,074	Special Management	3	15,819
36,489	Repairs & Maintenance		32,930
1,901	Rent, Rates, Taxes & Other Charges		2,231
346	Increase/ (Decrease) in Bad Debt Provision	4	278
35,459	Depreciation & Impairment of Fixed Assets	12	27,649
60	Debt Management Expenses		60
450	Other Expenditure		92
103,876	**Total Expenditure**		**93,108**
710	HRA share of Corporate & Democratic Core		710
20,135	**"HRA Comprehensive Income and Expenditure Line"**		**498**
20,135	**Net Cost of HRA Services**		**498**
1,928	(Gain) or Loss on Sale of HRA Assets		(420)
9,434	Loan Charges - Interest		12,214
(742)	Investment Interest		(1,781)
6,902	Pensions - Interest on Liabilities	14	8,784
(5,142)	Pensions - Expected Return on Assets	14	(8,659)
32,515	**(Surplus) / Deficit for the Year**		**10,636**

Housing Revenue Account (HRA) Statements - Movement in Reserve

2022/23 £000		Note	2023/24 £000
32,515	**(Surplus) / Deficit for the Year (from above)**		**10,636**
	Additional items required by statute and non-statutory proper practices to be taken into account in determining the movement on the Housing Revenue Account balance		
359	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		383
(5,519)	HRA share of contributions to/(from) the Pension Reserve	14	1,419
(1,928)	Gain or (Loss) on Sale of HRA Fixed Assets		420
(35,459)	Depreciation and capital expenditure not adding value for Fixed Assets	12	(27,649)
829	Capital Expenditure Financed from Revenue Account	10	1,850
1,253	HRA Set-Aside (MRP)		1,363
15,558	Transfers to/(from) the Major Repairs Reserve	13	14,323
(4)	Transfers to/(from) the Employee Benefits Reserve		9
(450)	Other Adjustments		(92)
(25,361)	**Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance**		**(7,974)**
7,154	**Net (Surplus)/Deficit on the Housing Revenue Account in the year**		**2,662**
(32,532)	Balance Brought Forward 1st April 2023		(25,378)
(25,378)	**Balance Carried Forward 31st March 2024 - (Surplus)/Deficit**		**(22,716)**

Housing Revenue Account (HRA) Explanatory Notes

1. Housing Revenue Account

The rules for the Housing Revenue Account (HRA) are specified within the Local Government and Housing Act 1989. Additionally a suite of self financing determinations was issued by the Ministry of Housing, Communities and Local Government (MHCLG) in 2012, including the Item 8 Credit and Item 8 Debit determinations which set out the capital accounting and financing entries under the 1989 Act.

These determinations have been made by the Council and the appropriate entries have been made in respect of capital accounting and financing transactions.

2. Changes to Accounting Practice

There has been no change in accounting practice.

3. Special Management

These include group central heating and hot water schemes, caretaking services, security services to high rise flats, maintenance of shrubberies and grassed areas, communal services, tenancy sustainment for tenants and support for hostel residents.

4. Rent Arrears and Provision for Bad Debts

Rents and Service Charges

The bad debt provision for rents and service charges at 31st March 2024 was £1.1m (£1.0m at 31st March 2023). This is calculated on a rent and service charge arrears balance of £3.5m (£2.8m in 2022/23).

5. Net Rent Income from Dwellings

	2022/23	2023/24
	£000	£000
Total Rent income from Dwellings	77,085	81,969
Less Housing Benefit	(26,029)	(25,962)
Total	**51,056**	**56,007**

6. Non -Dwelling Rents and Service Charges

These include the charges made to tenants and leaseholders for district heating, garages, security and cleaning services to flats.

Housing Revenue Account (HRA) Explanatory Notes (continued)

7. Housing Stock

Changes to Housing Stock:

	2022/23	2023/24
Number of Dwellings at 1st April	19,847	19,435
Acquisitions	51	140
Right to Buy sales	(329)	(205)
Other Disposals	(134)	-
Number of Dwellings at 31st March	**19,435**	**19,370**

8. Value of HRA Assets

	31st March 2023	31st March 2024
	£000	£000
Dwellings	1,229,917	1,216,931
Other Land and Buildings	23,140	25,009
Assets Under Construction	1,563	-
Vehicles, Plant, Furniture & Equipment	-	460
Surplus Assets	910	2,242
Assets Held for Sale	441	949
Intangible Assets	7	-
Total	**1,255,978**	**1,245,591**

Housing Revenue Account (HRA) Explanatory Notes (continued)

9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31st March 2024 was £2.9bn. At the same date the balance sheet value of council dwellings was £1.2bn. The difference of £1.7bn reflects the fact that social housing rents generate a lower income stream than could be obtained in the open market. The value placed on operational assets in a commercial environment will reflect the required economic rate of return in relation to the income streams that the assets might be expected to generate throughout their economic life. To the extent that income streams are constrained to serve a wider social purpose, the value of capital assets employed for council housing will be reduced.

	31st March 2023	31st March 2024
	£000	£000
Vacant possession values	2,968,075	2,897,338

10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2023/24 totalled £39m, financed as follows:

	2022/23	2023/24
	£000	£000
Major Repairs Reserve	15,558	14,323
Use of borrowing	6,195	12,261
Other grants and contributions	1,239	3,268
Usable capital receipts	9,328	7,724
Financing from revenue account	829	1,850
Total	**33,149**	**39,426**

11. Capital Disposals

HRA capital disposals in 2023/24 were as follows:

	2022/23	2023/24		
	Total Receipt	Usable/ Retained	Pooled/ Set aside	Total Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	(19,229)	(10,320)	(3,179)	(13,499)
Total	**(19,229)**	**(10,320)**	**(3,179)**	**(13,499)**

12. Depreciation and capital expenditure not adding value for Fixed Assets

A breakdown of the depreciation and capital expenditure not adding value charges are provided in the table below:

	2022/23				2023/24			
	Depreciation	**Capital expenditure not adding value**	**Other Impairments**	**Total**	**Depreciation**	**Capital expenditure not adding value**	**Other Impairments**	**Total**
	2022/23	**2022/23**	**2022/23**	**2022/23**	**2023/24**	**2023/24**	**2023/24**	**2023/24**
	£000	**£000**		**£000**	**£000**	**£000**	**£000**	**£000**
Dwellings	12,536	18,296	-	30,832	13,381	13,370	-	26,751
Other Land and Buildings	2,623	868	-	3,491	567	13	(578)	2
Vehicles, Plant, Furniture & Equipment	388	-	-	388	364	-	-	364
Assets Under Construction	-	-	-	-	-	555	-	555
Surplus Assets	4	-	737	741	4	-	(34)	(30)
Intangible Assets	7	-	-	7	7	-	-	7
Total	**15,558**	**19,164**	**737**	**35,459**	**14,323**	**13,938**	**(612)**	**27,649**

To be consistent with the format of the dwellings valuation supplied by the authority's external valuers, the dwellings depreciation charge has been calculated by dividing the buildings element of the valuation (on an 'Existing Use Value – Social Housing' basis) by the residual life of the properties.

Housing Revenue Account (HRA) Explanatory Notes (continued)

13. Use of Major Repairs Reserve

	2022/23	2023/24
	£000	£000
Balance at 1st April	-	-
Depreciation credited	(15,558)	(14,323)
Capital expenditure on land, houses and other property	15,558	14,323
Balance at 31st March	**-**	**-**

14. HRA Contributions to the Pensions Reserve

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

	2022/23	2023/24
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	(3,759)	1,544
	(3,759)	**1,544**
Pension interest cost and expected return on assets:		
Interest on liabilities	(6,902)	(8,784)
Expected return on assets	5,142	8,659
	(1,760)	**(125)**
Total Transfer to Pension Reserve	**(5,519)**	**1,419**

Collection Fund Account

Collection Fund - Income and Expenditure Statement

The Collection Fund is a ring-fenced account that represents the Council's role in collecting Council Tax and Non-Domestic Rates for the City of Leicester. The Council records taxation income in the Collection Fund and then makes distributions to precepting authorities including the Leicestershire and Rutland Combined Fire Authority and the Office of the Police Crime Commissioner for Leicester, Leicestershire and Rutland as well as to the Council's own General Fund.

2022/23					2023/24		
Council Tax	**Business Rates**	**Total**			**Council Tax**	**Business Rates**	**Total**
£000	**£000**	**£000**		**Note**	**£000**	**£000**	**£000**
			Income				
(164,961)		(164,961)	Council Tax Collectable	2	(172,971)		(172,971)
	(97,885)	(97,885)	Income from Business Ratepayers			(94,872)	(94,872)
	333	333	Transitional Protection payments - Business Rates			(5,943)	(5,943)
		(262,513)	**Total Income**				**(273,786)**
			Expenditure				
			Precepts and Demands:	3			
134,424		134,424	Leicester City Council		144,891		144,891
19,884		19,884	Police & Crime Commissioner for Leicestershire		21,598		21,598
5,720		5,720	Leicestershire & Rutland Combined Fire Authority		6,268		6,268
		160,028					172,757
			Business Rates:	4			
	46,982	46,982	Payments to Government			51,200	51,200
	940	940	Payments to Fire			1,024	1,024
	46,043	46,043	Payments to Leicester City Council			50,176	50,176
	483	483	Costs of Collection			476	476
		94,448					102,875
(1,043)	(37,019)	(38,062)	Contributions in respect of previous year's surplus / (deficit)	6	(154)	10,993	10,839
			Bad and Doubtful Debts:	7			
1,150	1,688	2,838	Write-offs		1,436	1,078	2,514
2,162	(66)	2,096	Increase / (Reduction) to provision for bad debts		1,688	382	2,070
	(6,209)	(6,209)	Increase / (Reduction) to provision for appeals			(2,986)	(2,986)
		215,139	**Total Expenditure**				**288,068**
(2,663)	(44,710)	(47,374)	Fund (Surplus) / Deficit for the Year		2,755	11,526	14,282
1,274	29,925	31,199	Fund (Surplus) / Deficit brought forward	5	(1,389)	(14,785)	(16,175)
(1,389)	**(14,785)**	**(16,175)**	**FUND BALANCE AS AT 31st MARCH - (Surplus)/Deficit**	**1**	**1,366**	**(3,259)**	**(1,893)**

Collection Fund Explanatory Notes

1. Statutory Requirements & Allocation of Balances

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

The balance on the collection fund is split between the relevant bodies as shown in the table below:

	2022/23			2023/24		
	Council Tax	Business Rates	Total	Council Tax	Business Rates	Total
	£000	£000	£000	£000	£000	£000
Leicester City Council	(1,160)	(7,244)	(8,404)	1,146	(1,597)	(451)
Central Government	-	(7,393)	(7,393)	-	(1,629)	(1,629)
Leicestershire & Rutland Combined Fire Authority	(51)	(148)	(199)	49	(33)	17
Police & Crime Commissioner for Leicester, Leicestershire & Rutland	(178)	-	(178)	171	-	171
Fund Balance Allocations as at 31st March	**(1,389)**	**(14,785)**	**(16,174)**	**1,366**	**(3,259)**	**(1,893)**

Collection Fund Explanatory Notes (continued)

2. Council Tax Base

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

The total collectable Council Tax during 2023/24 was £173m including arrears from prior years.

The collectable Council Tax specifically for 2023/24 was £198.3m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£25.3m), the average number of Band D dwellings equates to 79,069. This is a slight increase from the 79,046 dwellings existing when the 2023/24 budget was prepared.

Band	Estimated No. of Taxable Properties After Effect of Discount	Ratio	Band D Equivalent Dwellings	Less Band D Equivalent - LCTR Scheme Dwellings	Net Band D Equivalent Dwellings
A-	291	5/9	162	52	110
A	70,702	6/9	47,135	8,795	38,340
B	24,593	7/9	19,127	1,722	17,405
C	14,483	8/9	12,874	827	12,047
D	6,236	9/9	6,236	243	5,993
E	3,245	11/9	3,966	101	3,865
F	1,472	13/9	2,126	38	2,088
G	580	15/9	967	12	955
H	31	18/9	62	0	62
	121,633		**92,655**	**11,790**	**80,865**
Less adjustments for collection rates and other adjustments.					(1,819)
Council Tax Base					**79,046**

Collection Fund Explanatory Notes (continued)

3. Precepts and Demands

The following sums were paid from the collection fund.

	2022/23 £000	2023/24 £000
Leicester City Council	134,424	144,891
Police & Crime Commissioner for Leicestershire	19,884	21,598
Leicestershire & Rutland Combined Fire Authority	5,720	6,268
Total	**160,028**	**172,757**

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4. Income from Business Rates

Under the arrangements for business rates, the Council collects rates payable in the City, which are based on the rateable values multiplied by a uniform rate.

	31st March 2023	31st March 2024
	£	£
Non Domestic Rateable Value	**302,917,580**	**311,267,826**

	2022/23	2023/24
Non Domestic Rating Multiplier	51.2p	51.2p
Non Domestic Rating Multiplier- Small Business	49.9p	49.9p

Collection Fund Explanatory Notes (continued)

5. Collection Fund Surpluses & Deficits

The Collection Fund account shows a cumulative surplus of £1.9m at 31st March 2024 (£16.2m surplus at 31st March 2023) for Council Tax and Business Rates.

The surplus arising from business rates is £3.3m (£14.8m surplus at 31st March 2023). The reported surplus us affected by changes in the forecast for loss of revenue due to appeals against relatable values and by timing differences around rates reliefs funded by grant paid directly into the General Fund.

The deficit arising on Council Tax is £1.4m (£1.4m surplus 31st March 2023). The deficit that has arisen on Council Tax will be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority in proportion to the respective precepts and demands.

Similar to business rates, in 2020/21 as a result of the pandemic the Council incurred a significant deficit on Council Tax that was required to be spread the over 3 years. The third & final year of this spreading is 2023/24.

Collection Fund Explanatory Notes (continued)

6. Contributions to Collection Fund Surpluses & Deficits

Share of Surpluses/Deficits

Council Tax

Every January, the Authority has to estimate the surplus/ deficit for the collection fund at the end of the financial year.

For the Council Tax, this has to be notified to the police commissioner and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Council Tax. This is detailed in the table below.

	City	Police	Fire	Total
	£000	£000	£000	£000
Estimated Deficit - Jan 2023	134	15	5	154

Business Rates

For Business Rates, this is notified to central government and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Business Rates. This is detailed in the table below.

	City	Government	Fire	Total
	£000	£000	£000	£000
Estimated Surplus - Jan 2023	(5,387)	(5,496)	(110)	(10,993)

Collection Fund Explanatory Notes (continued)

7. Bad and Doubtful Debts

This table provides more detail on the bad debt write-offs and the increase in the provision for bad and doubtful debts.

	Bad Debt Provision			
Provisions	**Balance at 1st April 2023**	**Bad Debt Write-offs In year**	**Increase/ (Decrease) to Provision**	**Balance at 31st March 2024**
	£000	**£000**	**£000**	**£000**
Council Tax	15,176	(1,436)	3,124	16,864
NNDR	5,541	(1,078)	1,460	5,923
Total	**20,717**	**(2,514)**	**4,584**	**22,787**

Annual Governance Statement

Leicester City Council Annual Governance Statement 2023-24

1. Introduction

The Council is committed to good corporate governance and complies with the CIPFA/ SOLACE "Delivering Good Governance Framework" (2016). The Framework requires local authorities to be responsible for ensuring that:

- their business is conducted in accordance with all relevant laws and regulations
- public money is safeguarded and properly accounted for
- resources are used economically, efficiently and effectively to achieve agreed priorities which benefit local people

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

This statement is produced in fulfilment of the requirements under the Accounts and Audit Regulations 2015, to prepare an annual governance statement which covers:

- The Council's governance arrangements
- The role of those responsible for the development and maintenance of the governance environment
- Any significant risks or priorities that have been identified
- An assessment of the effectiveness of key elements of the Council's governance framework

2. The Arrangements

The Council has an approved Local Code of Corporate Governance which is based on seven core principles taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the 'International Framework'). A diagram showing the seven core principles is included in Appendix 1.

Appendix 2 is then a summary of the governance arrangements that the Council works within; and Appendix 3 shows how the Council assesses its governance arrangements to inform the Annual Governance Statement.

The following section details the systems, policies and procedures the Council has in place for governance and how this links to the seven core principles for good governance in the public sector included in the diagram at Appendix 1.

A) The Council behaves with Integrity, demonstrates strong commitment to ethical values, and respects the rule of law by having the following codes and rules which are followed:

- Constitution
- Financial Procedure Rules
- Code of Conduct for Members
- Code of Conduct for Employees
- Anti-fraud, Bribery and Corruption Policy
- Whistleblowing Policy
- Anti-Money Laundering Policy
- Information Governance & Risk Policy

B) The Council ensures Openness and Comprehensive Stakeholder Engagement through the following:

- Open Council & committee meetings with published minutes
- Published Executive decisions
- Scrutiny of Executive projects through scrutiny commissions
- Call in periods for Executive decisions
- Public engagement through consultation, representations and petitions
- Use of social media engagement on key projects and partnership working
- Publication of Freedom of Information Act responses and transparency data
- A range of communication channels including press-release and other communications linked to significant decisions and council activity

2. The Arrangements (continued)

C) The Council defines outcomes in terms of sustainable economic, social and environmental benefits through the City Mayor's strategic vision which contain a number of key pledges and which have been regularly scrutinised:

- A Fair City
- Homes for All
- Connecting Leicester
- Sustainable Leicester
- Health & Care
- Lifelong Learning
- A City to Enjoy
- A Safe and Inclusive Leicester

D) The Council determines the interventions necessary to optimise the achievement of the intended outcomes by supporting the above key pledges with the following key plans:

- Economic Recovery
- Budget Strategy (updated annually)
- Corporate Estate Annual Report
- Leicester Labour Market Partnership (Textile) Review 2020-22
- Leicester Street Design Guide
- Joint Health & Wellbeing Strategy 2019-2024
- Knife Crime and Serious Violence Strategy 2021-2023
- Local Transport Plan 2011-2026
- Tourism Action Plan 2020-2025
- Economic Action Plan

E) The Senior Leadership team continue to develop the entity's capacity, including the capability of its leadership and the individuals within it and this is supported by:

- Democratic Services including Member and Civic Support Services, who also support member development
- An Organisational Development Team, who facilitate effective development of employees
- A communications function which includes PR, media and digital media teams
- A staff intranet and established internal communication channels, which provide guidance to staff
- Partnership working on key priorities
- An Information Assurance Team to support our data policies
- Specialist teams offering professional advice, for example legal, procurement, IT and finance

F) The Council manages risks and performance through robust internal control and strong public financial management by reviewing processes and delivery throughout the year, supported by:

- Internal Audit
- External Audit
- Information Governance
- Audit and Risk Committee (decommissioned 05/07/2023)
- Governance & Audit Committee (replaced Audit and Risk Committee)
- Regular reporting of capital and revenue spending during a year
- Annual review of the Local Code of Corporate Governance
- Annual review of risk management strategy and policy and regular monitoring, evaluation and reporting on strategic and operational risks
- Annual review of the Assurance Framework

G) The Council Implements good practices in transparency, reporting, and audit to deliver effective accountability. This is demonstrated through:

- External Audit
- Annual Financial Statements
- Annual Governance Statement
- Open Council & committee meetings with published minutes
- Published Executive decisions accompanied by external communications
- Compliance with CIPFA codes of Practice (including the Financial Management Code)
- Scrutiny Commissions and regulatory committees
- External inspections and reviews of services

Additional information on many of the areas detailed above can be found on the Council's website;

www.leicester.gov.uk

3. Review of Effectiveness

The Governance & Audit Committee (previously Audit & Risk Committee) considers a wide range of business as part of its central role as part of the Council's system of corporate governance, risk management, fraud and internal control. The Governance & Audit Committee is complemented by the various scrutiny committees.

Any areas or activities that identify significant weaknesses in financial controls, governance arrangements or the management of risk through the Council's review of processes are then reported to the Governance & Audit Committee.

Key items that the Governance & Audit Committee considered throughout the year were:

- Annual review of local code of corporate governance
- Progress against internal audit plans
- Regular progress updates on the external audit of the statement of accounts
- Performance of the Council in authorising regulatory investigation powers
- Equal Pay Audit report
- Procurement annual report
- Insurance annual report
- Fraud, corruption and anti-money laundering reports
- Strategic & operational risk registers
- Business continuity strategies and policies

Overall, from this year's work, it can be concluded that controls are operationally sound and that the Council's financial management arrangements conform to the governance requirements of the CIPFA 'Statement on the Role of the Chief Financial Officer in Local Government'.

This is supported by Appendix 4 which demonstrates how the Council complies with the CIPFA Financial Management Code and the internal audit opinion which stated:

"A stable staff group throughout the year allowed for a good progression of planned audits. Forty-five assurance audits were undertaken, the majority of which returned substantial assurance rating. Nine audits either contained high importance (HI) recommendations or were otherwise given a partial assurance rating and were reported in summary to Committee during the year. Seven consulting engagements were undertaken. Seventeen grants were certified. Management accepted and responded positively to recommendations including follow ups.

The HoIAS took independent assurance from External Audit reports and the Leicester Safeguarding Children Partnership Board Annual Report and reviewed other Committee reports.

The major cyber incident in early March created short delays to progressing a few audits. However, an important scheduled audit of key ICT controls (including a follow up on the cyber security audit undertaken in 2022-23), was not able to be undertaken due to the cyber incident. Therefore, Internal Audit assurance could not be given that there was not material risk exposure. Independent assurance will need to be gained once the incident is concluded.

Notwithstanding being unable to provide assurance on key ICT controls, reasonable assurance is given that the Council's control environment has remained overall adequate and effective."

***Head of Internal Audit Service**

Risk management and internal control are a significant part of the governance framework and are designed to manage risk to a reasonable level. We cannot eliminate all risk of failure to achieve policies, aims and objectives; however the above controls provide reasonable but not absolute assurance of effectiveness.

Leicester City Council Annual Governance Statement 2023-24 (continued)

Areas of significant risk or priorities for action have been identified and are detailed in the tables, together with an update of the issues identified last year.

Issues Identified in 2022/23

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Action taken to Date
Medium Term Financial Strategy – We have set a balanced budget for 2023/24 and 2024/25 with the use of managed reserves. However, we estimate our reserves will run out part way through 2025/26 and therefore significant savings are essential.	The Council continues to monitor its finances and focus on reviewing budgets and services to achieve the significant level of savings required. The Council has set a balanced budget for 2024/25 with the significant use of one-off monies but has noted the significant financial pressures we have left.
Uncertain political and policy environment - National government changes and the forthcoming May 2023 local elections create uncertainties in relation to strategic direction and priorities. Uncertainty has also been caused by wide ranging industrial action across sectors including health and education.	Following the May 2023 local elections, a review to articulate priorities for the new term of office. There has been continued emphasis on robust business continuity planning, testing and training. Strategic directors met regularly to review strategic risks and actions needed to mitigate/address them.
Economic instability and rising inflation – A weak national economy and high inflation pushes up costs, and limits the supply of goods, supplies and services. Significantly increased costs for services and for capital schemes can result in overspends, budget pressures and inability to meet demand. Lack of availability of key supplies, goods and services and relevant skills and expertise can cause delays and risk ability to deliver services and capital schemes.	The Council has continued to monitor capital budgets, and ensure during inception of projects that inflation is built into projects. Allowance is made for existing projects which are already in delivery. In terms of supplies, we have continued to monitor the market on a three monthly basis, and where appropriate have changed the make-up of core components of projects or supplies needed to deliver projects. On skills, a successful recruitment campaign has continued and our salary structures have changed in some core job roles to ensure delivery of key services is maintained. External partners have been engaged to bring in skills so core delivery can be maintained on some key projects and services.

Issues Identified in 2022/23 Continued

Issue Identified	Action taken to Date
Lack of critical skills, resources and capabilities across the workforce - Insufficient skills and resources due to a competitive employment market, local authority pay constraints and an ageing workforce. Inability to recruit and retain staff, including at the most experienced and senior levels, may result in risks to the day-to-day delivery and transformation of services, and delivery of priority projects including capital schemes	Workforce planning has been identified as a high priority for organisational development (OD). The OD Team has developed a framework and approach to roll out across the organisation. Targeted work will continue with specific services to identify innovative strategies where there are recruitment challenges. In addition, work continued on entry to employment and on “grow our own approaches” where appropriate.
Impacts arising from numbers and complexity of needs of asylum seekers and refugees - Needs arising from increasing numbers of asylum seekers and refugees being placed in the city and the complexity arising from the range of national schemes and support arrangements for different groups including unaccompanied children, Ukrainian, Syrian and Afghan refugees.	A governance board is in place corporately, with oversight of the component parts of asylum and refugees, which covers all aspects from housing through to social care. We have continued to make representation to the Home Office, and ensure our safeguarding teams are pro-active in identifying issues early. Whilst continuing to work with key partners in the city such as Fire and Police. However, this continues to be a risk for the Council as numbers continue to rise and staff capacity/recruitment in key roles such as social workers is a significant issue and growing risk.
Cyber Risk – loss or compromise of IT systems and/or associated data through a cyber security attack. As in 2021/22, this is a national issue with an increasing prevalence and sophistication of malware attacks used by cyber attackers to circumvent ICT defences and attack core systems.	Mandatory training on ICT Security has been introduced as part of the HR “on-boarding” process for new starters, with a continued focus on raising awareness with existing staff. We will use findings from our Cyber Security Operations Centre to identify areas for further improvements and have implemented formal quarterly reporting on cyber security threats and responses. As part of the Council’s involvement in the DLUHC Future Councils’ Programme, we have baselined our cyber maturity, benchmark against others and identify further opportunities for improvement. This has built on the work have already done using the Cybersecurity Capability Maturity Model (C2M2). The recent cyber incident means this risk continues to be an issue.

Issues Identified in 2022/23 Continued

Issue Identified	Action taken to Date
Reputational impact of an unsatisfactory assurance rating of ASC from the Care Quality Commission – this could lead to loss of public confidence in adult care services, a fall in morale of staff, high staff turnover and a need to strengthen governance and practice controls. This is a national issue, with uncertainties over the calibration of CQC assessments, given that the process is entirely new and all LAs are experiencing pressures in meeting their Care Act duties.	A robust self-assessment process has been undertaken, drawing in staff at all levels, partners and people with lived experience, to develop a sound view of current performance. This will be used to address areas where performance does not meet the required standard. The Council has engaged with regional work to develop the model for self-assessment and draw on work to develop tools and techniques to improve practice and performance. Existing work of co-production with people who have lived experience will continue, to review measures and practice processes to ensure these meet need.

Leicester City Council Annual Governance Statement 2023-24 (continued)

Issues Identified in 2023/24

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Planned Action:
Financial Sustainability – We have set a balanced budget for 2024/25 with the use of one-off resources. However, we estimate our reserves will run out part way through 2025/26 and therefore significant savings are essential. We are facing restricted government funding at a time of increasing costs. We continue to face significant cost pressures in adult social care and children's social care. The General Election also brings uncertainty as the previously planned "Fair Funding review" is still to take place.	The Council will continue to monitor its finances and focus on reviewing budgets and services to achieve the significant level of savings required. The Council will continue to be a prominent voice in the sector and provide feedback as appropriate to government on the challenges faced. The Council has requested a peer reviewing focusing on finances and will review the findings and identify appropriate actions. Identification and delivery of further savings including those outstanding from previous work. Scoping and delivery of transformation programmes across Homelessness, Adults and Children's social care to seek to minimise future growth.
Demographic growth – Significant ongoing pressures and risks associated to homelessness, asylum seekers and adults and children's social care.	Homelessness • regional work to deliver housing needs through local plan. • work with tenants, partners and landlords to prevent homelessness. Asylum Seekers • workstreams to identify temporary accommodation to meet demand. Social Care • transformation programmes to minimise future growth
Cyber Risk – loss or compromise of IT systems and/or associated data through a cyber security attack. As in previous years this is a national issue with an increasing prevalence and sophistication of malware attacks used by cyber attackers to circumvent ICT defences and attack core systems. On 7th March 2024, the Council was the subject of a cyber incident that resulted in significant disruption to systems and processes.	The Council will continue to monitor and act on guidance. Recovery has been completed and investigations are ongoing. A report with lessons learnt will be produced and a review of policies and training will be completed.

Leicester City Council Annual Governance Statement 2023-24 (continued)

4. Conclusion

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

Signed:

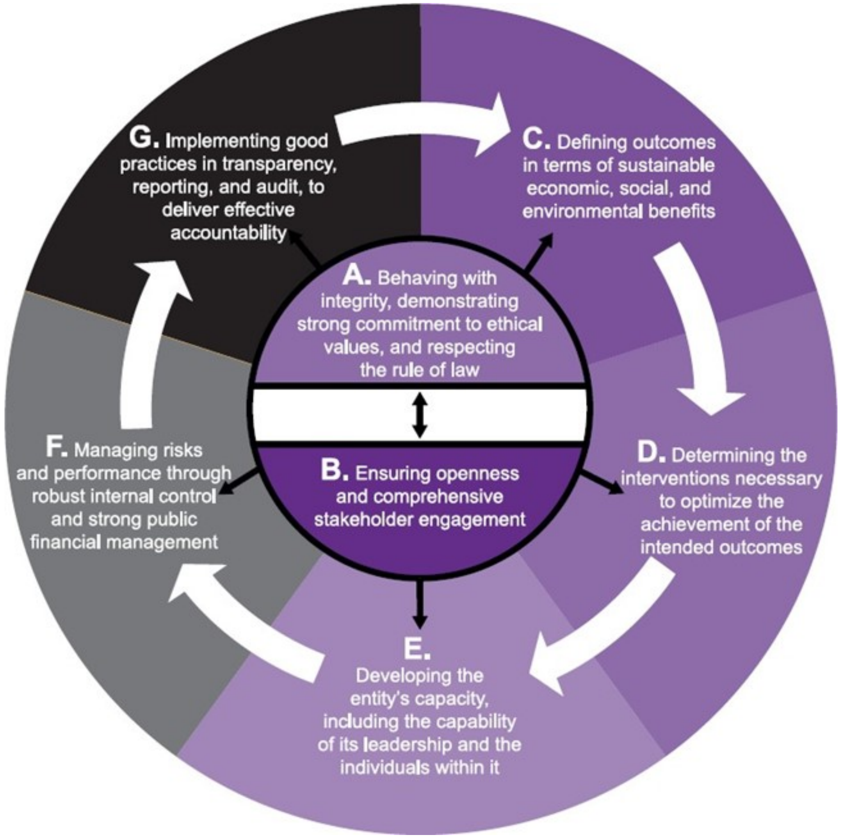
City Mayor

Chief Operating Officer

The Council's Code of Corporate Governance is based on the seven core principles. The illustration below shows the principles of good governance in the public sector and how they relate to each other.

Achieving the Intended Outcomes

While Acting in the Public Interest at all Times



The Council had the following governance arrangements in place during 2023/24.

SUMMARY OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

Mayor, Executive and Council

- Provide leadership, develop and set policy
- Key risks are considered by the Executive three times per year.

Decision making

- Decisions are recorded on the Council's website
- There is a period of grace in which decisions are open to review

Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by Corporate Management Team three times per year

Scrutiny and review

- Scrutiny committees review Council policy and can challenge decisions
- Governance & Audit Committee (previously Audit and Risk Committee) approves the annual accounts and reviews policies & procedures that ensure good governance of the Council. It also approves the Internal Audit Annual Report and opinion

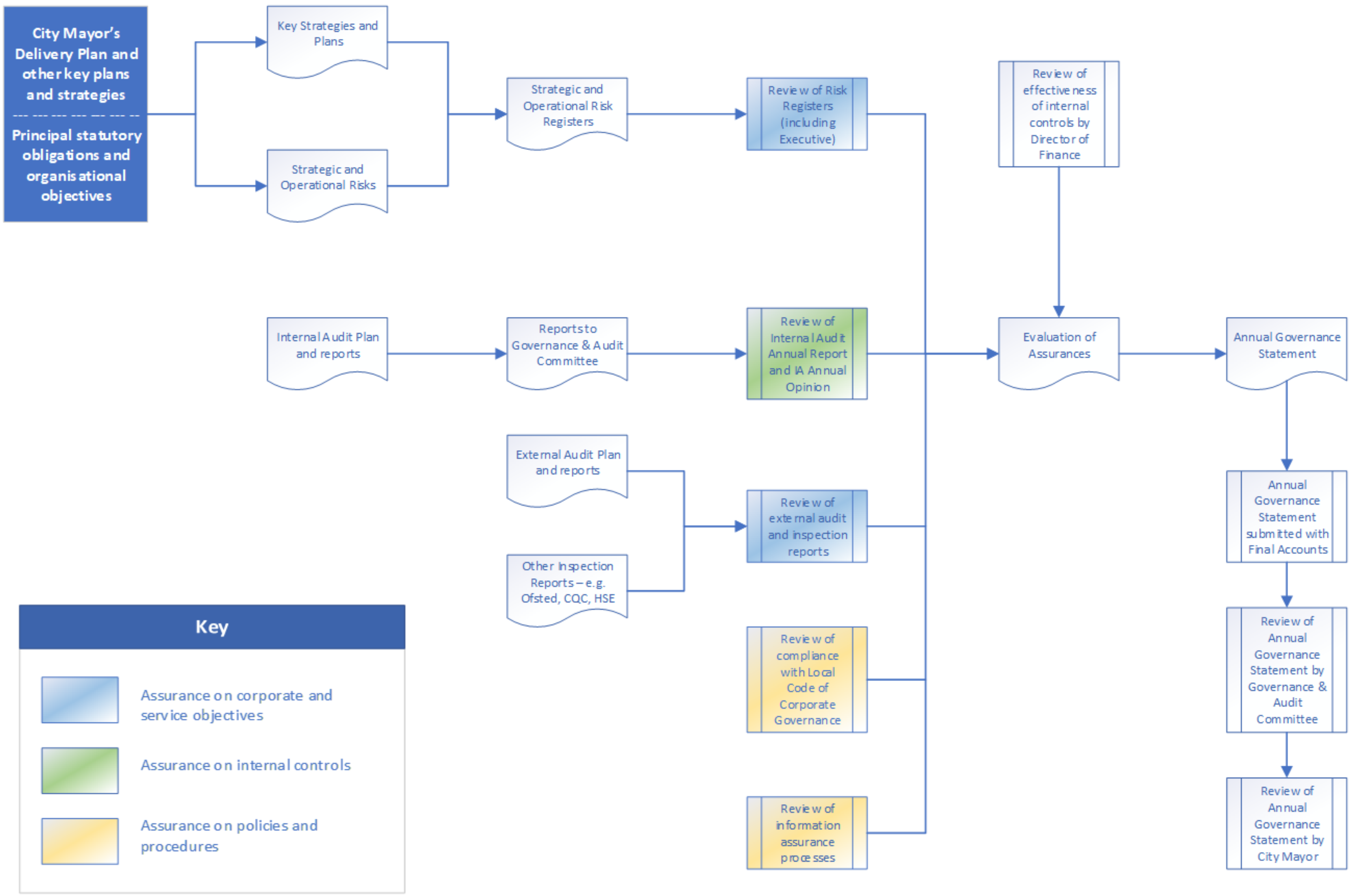
Corporate Management Team (CMT)

- Provides service level management and interface with the political leadership
- Head of Paid Service is the Chief Operating Officer, who is responsible for all Council staff and for leading an effective CMT
- The Director of Finance is the s.151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money
- Monitoring Officer is the City Barrister & Head of Standards who is responsible for ensuring legality and promoting high standards of public conduct
- CMT includes all strategic and divisional directors

Leicester City Council Annual Governance Statement 2023-24 (continued)

Appendix 3

The following diagram, shows how the Council has assessed its governance arrangements to inform the Annual Governance Statement



The following table is a summary of the CIPFA financial management code standards with a brief explanation of how the Council complies with each standard.

CIPFA financial management standard	How the Council demonstrates it complies
The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Annually this is supported by the external audit value for money opinion. Ensuring value for money is also the role of the section 151 officer and this is evidenced in the Annual Governance Statement, under the summary of the Council's governance arrangements.
The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	The Director of Finance (section 151 officer) is professionally qualified and has suitable experience. The Director of Finance is a key member of the leadership team and is actively involved in all material business decisions, ensuring they are in line with the Council's financial strategy. She safeguards public money through good financial management and leads a finance team that is resourced and fit for purpose. Annually this is supported by the value for money opinion and the audited statement of accounts.
The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	The Annual Governance Statement supports the leadership team meeting these requirements. The Statement includes: • How governance and internal control are supported by scrutiny and review, in particular through the Governance & Audit Committee (previously Audit and Risk Committee). • A statement from the Council that it complies with the CIPFA/SOLACE Delivering Good Governance Framework (2016).

CIPFA financial management standard	How the Council demonstrates it complies
The financial management style of the authority supports financial sustainability.	Annually the Council approves the budget strategy which includes the revenue and capital budgets, alongside the Treasury Management Strategy and Investment Strategy. As part of the budget strategy, the medium-term financial outlook is considered, and it is acknowledged the Council is using managed reserves to balance the budget. This evidences that the Council understands its prospects for financial sustainability in the longer term and this is reported clearly to members. The budget report includes a statement from the Chief Finance Officer on the robustness of estimates and the adequacy of financial reserves.
The authority has carried out a credible and transparent financial resilience assessment.	
The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.	
The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	
The authority complies with its statutory obligations in respect of the budget setting process.	
The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.	
The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Annually the Council approves the budget strategy which includes the Treasury Management Strategy and the Investment strategy. These strategies comply with the prudential code. The Council will also report its compliance with these strategies twice a year.
The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Annually as part of the draft budgeting setting process, the draft budgets are issued for consultation with partners before they are submitted for formal approval.

<table>
<tr><th>CIPFA financial management standard</th><th>How the Council demonstrates it complies</th></tr>
<tr><td>The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.</td><td>As part of the executive approval process, decision reports are submitted to the Executive which where appropriate contain option appraisals and a recommended course of action. Decisions are published on the Council's website.</td></tr>
<tr><td>The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.</td><td rowspan="3">Throughout the year monitoring is conducted to identify any variations from what was budgeted and allows for timely corrective action to be taken. Monitoring reports are subject to scrutiny and go to the Overview Select Committee on a periodic basis. This includes the capital and revenue budget monitoring, income collection and treasury management reports.</td></tr>
<tr><td>The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.</td></tr>
<tr><td>The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.</td></tr>
<tr><td>The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.</td><td>Annually the statement of accounts is published and a statement regarding the accounts complying with the CIPFA Code of Practice is included within the statement of responsibilities signed by the section 151 officer. The statement of accounts is audited annually and we regularly receive an unqualified audit opinion.</td></tr>
</table>

Glossary

Glossary

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

Academies

Publicly funded schools, independent of Local Authority control, held accountable directly to the Government.

Accountable Body

An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Accounting policies do not include estimation techniques.

Accruals

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

Actuarial Basis

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Agent

Is where the authority is acting as an intermediary.

Amortisation

The reduction in an amount carried on the Balance Sheet by the regular debiting or crediting to an Income and Expenditure Account.

Appropriation

The process of transferring balances from revenue to reserves and vice versa.

Asset

A resource controlled by the authority, as a result of past events and from which future economic benefits are expected to flow to the authority.

Assets Held for Sale

These are assets which are very likely to be sold within 12 months of the balance sheet date. They are therefore classified as Current Assets.

Balance Sheet

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

Bonds

Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

Budget

The financial plan reflecting the Council's policies and priorities over a period of time.

Capital Expenditure

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

Capital Financing

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

Capital Financing Requirement

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

Capital Programme

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

Capital Receipts

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

CIPFA (Chartered Institute of Public Finance and Accountancy)

The principal accountancy body dealing with local government finance.

Code of Practice on Local Authority Accounting (The Code)

A publication produced by the Chartered Institute of Public Finance and Accountancy (CIPFA) that provides comprehensive guidance on the content of a Council's Statement of Accounts.

Collection Fund

A separate fund recording the expenditure and income relating to Council Tax and NNDR.

Community Assets

Assets that the Council intends to hold in perpetuity, that have no determinable useful lives and that may have restrictions on their disposal. Examples of community assets are parks and historic buildings.

Community Schools

Schools which the Council run, employ the staff and normally owns and maintains the land and buildings (with the exception of PFI schools).

Comprehensive Income and Expenditure Statement

This Statement reports the net cost of all services and functions for which the authority is responsible.

Contingent Liabilities

Liabilities which may or may not occur in the future. They often depend on future events for which the outcome cannot be predicted. Due to their uncertainty they do not appear in the balance sheet.

Council

The Council comprises the City Mayor and all elected Councillors who represent the various electoral divisions.

Council Tax

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

Council Tax Base

This is a figure that expresses the total band D equivalent properties. The amount to be funded by Council Tax is divided by this, and charges for all other bands of property are based on this charge.

Council Tax Precept

The amount of income due to Leicestershire Police Authority and Leicester, Leicestershire and Rutland Combined Fire Authority from the Council, who are responsible for billing Council Tax.

Creditors

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

Debits and Credits

A debit represents expenditure against an account and a credit represents income to an account.

Debtors

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

Dedicated Schools Grant

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

Deficit

Arises when expenditure exceeds income or when expenditure exceeds available budget.

Depreciation

The term used to describe the charge made for the cost of using tangible fixed assets. The charge for the year will represent the amount of economic benefits consumed (i.e. wear and tear).

Direct Revenue Financing

The cost of capital projects that is charged against revenue budgets.

Equities

Ordinary shares in UK and overseas companies traded on a stock exchange. Shareholders have an interest in the profits of the company and are entitled to vote at shareholder's meetings.

Expenditure and Funding Analysis

This statement shows how annual expenditure is used and funded from resources by the Council in comparison to those resources consumed or earned by authorities in accordance with generally accepted accounting practices.

External audit

An audit is an examination by an independent expert of the authority's financial affairs to check that the relevant legal obligations and codes of practice have been followed.

Fair Value

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.

Finance Lease

A lease that transfers substantially all of the risks and rewards of ownership of a fixed asset to the lessee.

Financial Instruments

Financial instruments are formally defined in the Code as contracts that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Reporting Standards (FRSs)

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

General Fund

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

Going Concern

The going concern accounting concept assumes that the organisation will not significantly curtail the scale of its operation in the foreseeable future.

Government Grants

Payment by Government towards the cost of local authority services. These are either for particular purposes or services (specific grants) or in aid of local services generally (formula grant).

Housing Benefits

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

Housing Revenue Account (HRA)

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

Impairment Loss

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

Internal Audit

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

International Financial Reporting Standards (IFRSs)

These are guidelines for the production of financial statements. Many of these now apply to local authorities and departure from these must be disclosed in the published accounts.

International Financial Reporting Interpretations Committee (IFRIC)

Aims to provide guidance on newly identified financial reporting issues not specifically dealt with in IFRSs.

Inventories

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

Investments

An asset which is purchased with a view to making money by providing income, capital appreciation or both.

Joint Venture

An organisation for which the Council has partial control and ownership, but decisions require the consent of all participants.

Leasing

A method of financing the acquisition of assets, notably equipment, vehicles and plant. This is normally for an agreed period of time, up to several years.

Liabilities

An obligation to transfer economic benefits. Current liabilities are payable within one year.

LOBO Loans

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

Local Council Tax Reduction Scheme

System of granting means-tested Council Tax discounts and exemptions depending on personal taxpayer circumstances.

Long Term Borrowing

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

Materiality

Materiality is an expression of the relative significance or importance of a particular matter in the context of the financial statements as a whole.

Minimum Revenue Provision (MRP)

A minimum amount, set by law, which the Council must charge to the income and expenditure account, for debt redemption or for the discharge of other credit liabilities (e.g. finance lease).

Movement In Reserves Statement

This statement shows the movement in the year on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that be applied to fund expenditure or reduce local taxation) and other reserves.

National Non-Domestic Rate (NNDR)

Represents the rate of taxation on business properties. Central Government have the responsibility for setting the rate and Local Authorities are responsible for the billing and collection of the tax. Income is shared between Central Government, the Council and Leicestershire Fire authority.

Net Book Value

The amount at which non-current assets are included in the balance sheet. It represents historical cost or current value less the cumulative amounts provided for Depreciation or Impairment.

Net Expenditure / Net Cost of Service

The actual cost of a service to an organisation after taking account of all income charged for services provided.

Non-Current Assets

Assets that yield benefits to the Council for a period of more than one year, examples include land, buildings and vehicles.

Operating Lease

A lease where an asset is used only for a small proportion of its economic life.

Operational Assets

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

Outflow

This represents cash going out of the Council.

Precept

An amount charged by another authority to the Council’s Collection Fund. There are two preceptors on Leicester’s collection fund: the Police and Crime Commissioner and the Leicestershire & Rutland Combined Fire Authority.

Prior Period Adjustments

These are material adjustments relating to prior year accounts that are reported in subsequent years and arise from changes in accounting policies or from the correction of fundamental errors.

Principal

Is where the authority is acting on its own behalf.

Private Finance Initiative (PFI)

An initiative for utilising private sector funding to provide public sector assets.

Provision

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

Public Works Loan Board (PWLB)

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

Remuneration

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

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

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[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
[Click **here** and enter **office address**]

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION]

Dear Grant Thornton UK LLP

Leicester City Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Leicester City Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of property, plant and equipment and the valuation of the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

a. there are no unrecorded liabilities, actual or contingent

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

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

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

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

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report and attached. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

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

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

xiv. The prior period adjustments disclosed in Note 9 and Note 45 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xvi. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.

xvii. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

xviii. We have considered whether the Council is required to reflect a liability in respect of the cyber breach incident, and we are satisfied the financial statements are materially complete.

Information Provided

xix. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

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

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

xxii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxiii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

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

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

xxiv. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxv. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

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

xxvii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxviii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on 11 February 2025.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

Executive Decision External Audit Report 2023/24 (The Value for Money Report)

Governance and Audit Committee

Date of meeting: 11 February 2025

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- ■ Ward(s) affected: All
- ■ Report author: Karen Linnett
- ■ Author contact details: karen.linnett@leicester.gov.uk
- ■ Report version number: 1

1. Summary

1.1 To present the report by Grant Thornton on the External Audit Annual Report 2023/24 (The Value for Money report).

2. Recommended actions/decision

2.1 The Governance & Audit Committee is recommended to note the report (attached at Appendix 1) to those charged with Governance and pass any comments to the External Auditor.

3. Scrutiny / stakeholder engagement

3.1 The External Auditors are required under the Local Audit and Accountability Act 2014 to satisfy themselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

3.2 The Code of Audit Practice issued by the National Audit Office (NAO) requires the External Auditor to report to those charged with Governance their commentary relating to proper arrangements.

4. Background and options with supporting evidence

4.1 The external auditors, Grant Thornton evaluate against specified criteria under the headings below:

- Financial Sustainability
- Governance
- Improving economy, efficiency and effectiveness

4.2 The report includes notification of use of auditor's powers, there were none used during the reporting period.

4.3 The report lays out recommendations and provides updates on previous recommendations.

4.4 Further details are outlined in Appendix 1.

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

The report is exclusively concerned with financial issues.
Signed: Kirsty Cowell
Dated: 17 January 2025

5.2 Legal implications

There are no direct legal implications arising from this report.
Signed: Kevin Carter
Dated: 20 January 2025

5.3 Equalities implications

Under section 149 of the Equality Act 2010, the ‘general duty’ on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act. To advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, To foster good relations between persons who share a relevant protected characteristic and persons who do not share it. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying ‘due regard’ in our decision making in the design of policies and in the delivery of services. The Code specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. There are no direct equality implications arising from the report.
Signed: Surinder Singh
Dated: 20 January 2025

5.4 Climate Emergency implications

There are no significant climate emergency implications directly associated with this report.
Signed: Duncan Bell, Change Manager (Climate Emergency). Ext. 37 2249
Dated: 17th January 2025

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

6. Background information and other papers:

None

7. Summary of appendices:

Appendix 1 - Auditor’s Annual Report on Leicester City Council 2023/24

8. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”? If so, why?

No

Leicester City Council

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Auditor's Annual Report for the year ended 31 March 2024

January 2025 – Final

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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

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

Introduction

Purpose of the Auditor's Annual Report

This report brings together a summary of all the work we have undertaken for Leicester City Council (the Council) during 2023/24 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in the use of their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

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Responsibilities of the appointed auditor

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2023/24
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

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

Value for money

We report our judgements on whether the Council has proper arrangements in place regarding arrangements under the three specified criteria:

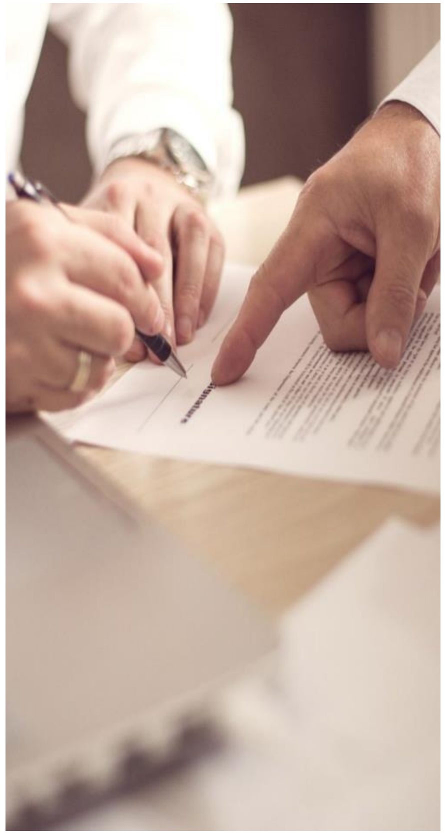
- financial sustainability
- governance
- Improving economy, efficiency and effectiveness

The Value for Money auditor responsibilities are set out in Appendix B.

Auditor powers

Auditors of a local authority have a duty to consider whether there are any issues arising during their work that require the use of a range of auditor's powers.

These powers are set out on page 13 with a commentary on whether any of these powers have been used during this audit period.



Executive summary

Executive summary

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Our summary findings are set out below. Our recommendations and management responses are summarised in the section starting on page 28.

Financial sustainability

The Council has a structured organisational approach to financial planning. However, there is a significant weakness in the Council's arrangements for financial sustainability as previously reported in the 2022-23 Annual Auditors Report (presented to Governance & Audit Committee in April 2024). In that report we highlighted that the Council themselves have accepted there is a serious risk that it would struggle to balance it's 2025/26 budget having used up the majority of its reserves balancing its 2023/24 and 2024/25 budgets. Following this report the 2023/24 outturn was finalised and an underspend of £1.7m was reported. When setting the 2024/25 budget it was balanced only through the use of £61m reserves, including £7m of the £15m Emergency reserve fund. Indeed, due to a number of cost pressures, the medium-term financial outlook is the most severe the Council has ever known. At the point of setting the 24/25 budget the Council faced the real probability of not being able to balance their budget in 2025/26, necessitating the issue of a formal report under section 114 of the Local Government Finance Act 1988.

Progress has been made to avert this and the Council is currently in the process of finalising a 3-year financial plan which was published on 11th December 2024 before it was then embedded in the formal Council budget approval process ultimately leading to approval at Council in February 2025. The 3-year financial Plan delivers a balanced budget over the 3-year period but does so only via a combination of savings delivery and, one-off measures such as use of Capital receipts to fund revenue spend, under a capitalisation directive, and the use of a reserve earmarked for capital use to offset the ongoing funding gaps. This reserve is made up of one-off revenue monies set aside in previous years so can be used for revenue purposes. We note that the use of this reserve will necessitate the Council to utilise external borrowing to fund the capital plan. The Council is seeking to mitigate the impact of this on the revenue budget through the delivery of savings. This highlights that all areas of the 3-year year plan need to be delivered in unison to ensure that they have the desired impact on the Council's financial sustainability.

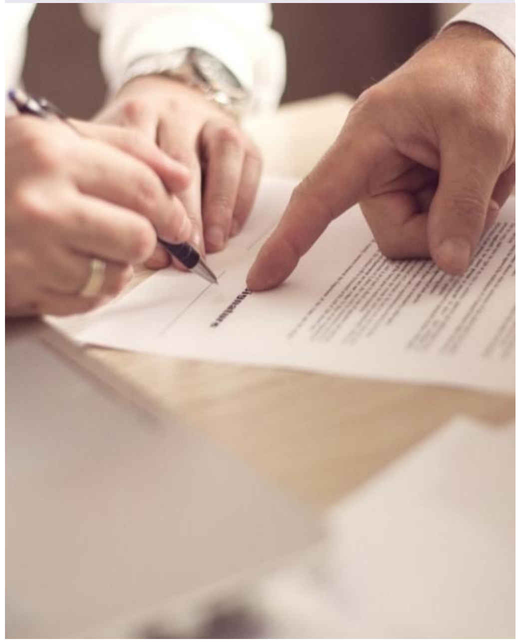
At the end of the 3-year period in 2027/28 there will remain a significant structural deficit for the Council to have to manage. If the 3-year plan is not delivered the Council is likely to be in a position of having to issue a s114 notice (effective bankruptcy). Given where the Council is in the budgeting/planning cycle and given the structural deficit baked into the Council's medium term financial plans, at this point we can only roll forward our key recommendation from last year's report (see p. 16). We include further detail on pages 13-17.

Governance

The Council has strong governance arrangements, backed by a robust internal control system and a comprehensive risk management process. The internal audit opinion for 2023/24 concluded with a reasonable assurance audit opinion, on the adequacy and effectiveness of the Council's internal framework. However, was unable to provide assurance on key ICT controls. This is a result of a major cyber incident in early March leading to minor delays in advancing a few audits.

Upon thorough review and consideration of our areas of focus and evidence, we have not identified any significant weaknesses in the Council's arrangements to ensure financial sustainability. However, we have noted three areas for improvement, specifically in relation to the cyber security incident, consistency of information in the Council's Risk Register and appointing an additional member to the Governance and Audit Committee. As such, we have raised three improvement recommendations, with two of these being brought forward from last year.

We have substantially completed our audit of your financial statements and expect to issue an unqualified audit opinion in January 2025, following the Audit Committee meeting on 29 January 2025. Our findings are set out in further detail on pages 9 to 11.



Executive summary

Improving economy, efficiency and effectiveness

The Council is mostly effective in its arrangements to deliver improving economy, efficiency and effectiveness. It has a well-defined Council Plan supported by strong principles and works collaboratively with various regional organisations. Furthermore, it has a strong procurement function and is in the process of enhancing corporate reporting to enhance transparency and accountability in performance monitoring.

After examination of our areas of focus and gathered evidence, we have not identified any significant weaknesses in the Council's arrangements for managing and improving economy, efficiency, and effectiveness. However, we have noted an area for improvement, which has been brought forward from last year with regards to the setting of KPIs for each service area with stretch targets.

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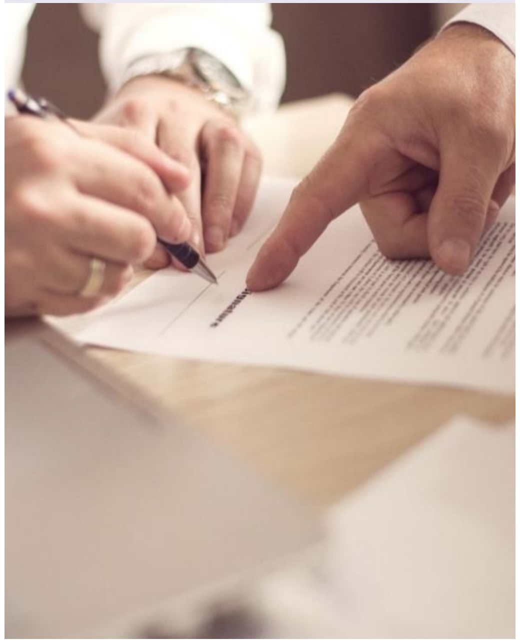
We have substantially completed our audit of your financial statements and expect to issue an unqualified audit opinion in January 2025, following the Audit Committee meeting on 29 January 2025. Our findings are set out in further detail on pages 9 to 11.



Executive summary

Overall summary of our Value for Money assessment of the Council's arrangements

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. A summary of our judgements are set out in the table below.

Criteria	2022/23 Auditor judgement on arrangements		2023/24 Auditor judgement on arrangements		Direction of travel
Financial sustainability	R	Significant weakness identified and one key recommendation raised.	R	Significant weakness remains and one key recommendation raised.	↔
Governance	A	No significant weaknesses in the arrangements reviewed. Three minor improvement recommendations were made.	A	We have made three improvement recommendation covering three separate areas of the Council's governance arrangements. These are; in relation to the Cyber Security attack, the consistency of information in the Council's Risk Register and the appointment of an additional independent member to the Governance and Audit Committee.	↔
Improving economy, efficiency and effectiveness	A	No significant weaknesses in the arrangements reviewed. One minor improvement recommendation was made.	A	We have made one improvement recommendation related to the setting of KPI's for each service area with stretch targets.	↔

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

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

Opinion on the financial statements

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

- give a true and fair view of the financial position of the Council as at 31 March 2024 and of its expenditure and income for the year then ended, and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2022/23
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

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We conducted our audit in accordance with:

- International Standards on Auditing (UK)
- the Code of Audit Practice (2020) published by the National Audit Office, and
- applicable law

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Audit opinion on the financial statements

The Council provided draft accounts in line with the national deadline.

Our work on the Council's 2023/24 financial statements is in progress and we intend to issue an audit opinion in February 2025.

Use of auditor's powers

We bring the following matters to your attention:

	We do not currently anticipate:
Statutory recommendations Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.	• making any written recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.
Public Interest Report Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.	• issuing a public interest report.
Application to the Court Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.	• making an application to the Court.
Advisory notice Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority: • is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure, • is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or • is about to enter an item of account, the entry of which is unlawful.	• issuing any advisory notices.
Judicial review Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.	• making an application for judicial review.

Value for Money
Commentary on arrangements

The current local government landscape

It is within this context that we set out our commentary on the Council's value for money arrangements in 2023/24 and make recommendations where any significant weaknesses or improvement opportunities in arrangements have been identified.

National context

Local government in England remains a challenged sector. In recent years, generationally significant levels of inflation put pressure on Councils' General Fund revenue and capital expenditure. The associated cost of living crisis drove an increase in demand for Council services such as social care and homelessness. At the same time, the crisis impacted adversely on key areas of Council income that were needed to service the increase in demand, for example fees and charges and the collection rates for Council tax, business rates and rents. In January 2024, the UK government announced an additional £600 million for local government, but the Spring Budget for 2024 brought little in the way of any further support. Rising costs of delivering services, coupled with workforce shortages in key areas, supply chain fragility, and rising interest rates for servicing debt, brought a level of crisis to the local government sector perhaps never experienced before. Current warning signs of difficulty include:

- Seven Councils issuing eleven section 114 notices between 2019 and 2023, compared with two Councils issuing notices between 2001 and 2018, with an increasing number of other Councils publicly warning of a section 114 risk;
- Twenty Councils being with government approval for exceptional financial support during 2024/25, totalling approximately £1.5 billion. Only six of these Councils had previously issued a section 114 notice; and
- The Local Government Association warning that Councils in England face a funding gap of £4 billion over 2023/24 and 2024/25.

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Local government is coming under an increased spotlight in terms of how the sector responds to the financial challenge it faces. Since the start of 2024, the UK government has emphasised the need for increased productivity rather than increased funding. New plans were announced by the Chancellor in March 2024 for public sector productivity to deliver up to £1.8 billion worth of benefits by 2029. Councils have subsequently been asked to submit productivity plans, showing how they will improve service performance and reduce wasteful spend. The Budget on 30 October 2024 has not delivered any further certainty of funding for the Local Government sector, beyond some additional funding for specific pressure areas of social care and housing/homelessness. The distribution of the funding is yet to be determined.

Local context

Leicester City Council is a unitary authority in the East Midlands, consisting of 54 Councillors, representing 21 wards in the city, overseen by a directly elected mayor. It is currently controlled by the Labour Party and has been led by mayor Sir Peter Soulsby since 2011 (Appendix A1 summarises the Mayoral model). The Council also appoints a ceremonial Lord Mayor who chairs Council meetings; the directly elected mayor is termed the City Mayor to distinguish the post from the Lord Mayor. As a unitary authority, the Council is responsible for running nearly all local services in Leicester with the exception of the Leicestershire Fire and Rescue Service and Leicestershire Constabulary. These are run by joint boards of the city Council with Leicestershire County Council and Rutland County Council.

Leicester is the largest city in the East Midlands. Leicester City Council employs more than 11,000 staff, who are responsible for delivering services to a diverse range of customers. The greater Leicester urban area had a population of 559,017 in 2021, making it the 11th most populous in England, and the 13th most populous in the United Kingdom. In 2023, Leicester was named as the best place to live and work in the East Midlands.

Financial sustainability

Financial sustainability

We considered how the Council:	Commentary on arrangements	Assessment
Ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;	The Council is facing significant challenges in both delivering its 2025-26 budget and the subsequent years of its medium-term financial plan. There is serious risk that the Council may have to issue a s114 notice (effective bankruptcy) in the period and our report last year highlighted this fact. The 2024/25 budget set by the Council identified the need to utilise £61m from reserves, in excess of the reserves available at the point of setting the budget and requiring use of £7.1m of the Emergency Balance held. Work has been ongoing during 2024/25 to develop a sustainable plan for reducing the financial gap for the 2025/26 financial year and rebuilding the Council's reserves balances and the Council is in the process of finalising a 3-year Financial Plan which it published on 11th December 2024 before seeking Council approval in February 2025 as part of the 2025/26 budget planning round. The plan has 5 key elements, including the reduction in costs of Adult social care (ASC), re-purposing of Capital reserves to Revenue, reduction in the Capital programme and sale of assets being the main routes to financial sustainability in the period. The fifth strand of the plan is the identification and delivery of revenue savings. It is critical that the Council identify and validate these savings rapidly to support delivery of the plan. All these strands will be critical in balancing the Council's budget over the medium term. We have reviewed an emerging draft of the 3-year plan and while it is realistic and includes a number of prudent assumptions and balances the budget over the 3-year period to the end of FY 2027/28, it does not address the longer term financial sustainability challenge. To achieve a balanced budget over the 3-year period, it is contingent upon a number of one-off items which are not recurrent, alongside £23m of savings to be delivered per year. This includes the one-off use of £100m of revenue monies set aside in reserves to support capital activity, along with the use of £60m capital receipts from asset sales to support revenue spend. We do support this approach as it is a prudent approach for the 3-year period in the circumstances but remind the Council that the approach merely delays the problem for another year or two, it does not address the issue of the structural deficit which exists. Continually mounting pressures in Adult Social Care (ASC) and Children's Social Care (CSC) demand and, in particular, the impact of homelessness on the Council means that the Council will continue to struggle to contain costs within their resource allocation. We are satisfied that the Council is identifying all the financial pressures and including these in its financial plans. However, given its low level of reserves, there is no doubt that the financial plans leave the Council in a precarious position to deal with any additional financial pressures which emerge. The need to identify and agree savings to support the delivery of the 3-year plan is critical and while we acknowledge the plans in place, typically plans like this take time to deliver so it is continued identification of savings and focused delivery of these plans which will determine whether the Council is able to remain financially sustainable in the medium term Given the Council has yet to formally agree the 3-year plan and given the mounting financial pressures as outlined above (ASC, CSC, Homelessness), we propose to roll forward the key recommendation from the 2022-23 AAR into this year (see p. 16 for detail).	R
Plans to bridge its funding gaps and identifies achievable savings	The Council's 3- year plan proposes a credible and prudent approach to managing the Council's costs within its funding envelope. The identification and delivery of the savings included within that plan are challenging but critical. They also include a number of one-off mechanisms such as the use of Capital receipts to fund revenue spend and use of reserves. This approach appears to allow the Council to balance its budget up to the end of the 3-year Financial plan period (ie. by end 2027/28) but it does not address the structural deficit which clearly exists. . The financial challenges facing the Council are significant and it will be critical that the Council takes the difficult decisions required in a timely manner to allow them sufficient time to deliver in the medium term. This will involve making potentially unpopular decisions regarding discretionary expenditure. We therefore re-iterate our key recommendation from the 2022-23 audit report (see p.16). Notwithstanding the longer term financial sustainability issues, it will be important for the Council, in the short term, to develop a robust mechanism to track and report on the achievement of the savings targets on a regular basis. Whilst the Council has established an internal officer group called the Financial Sustainability Board (FSB) and carries out this function informally. We would advise that the Council establishes processes and mechanisms for formal tracking and monitoring of savings identification and delivery. These mechanisms should formally report into appropriate Member forums on at least a quarterly basis at least on progress made in the identification and delivery of savings. We have raised an improvement recommendation to reflect this (see p.17).	A

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G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)

We considered how the Council:	Commentary on arrangements	Assessment
Plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	There is little doubt that the Council has accepted and is facing up to the financial challenges in the medium and long term and this has had a bearing on the strategic objectives and direction of the Council. The senior leadership team has worked very closely with the City Mayor in identifying the 3-year plan though ultimately it is the Mayor's responsibility to agree and sign off on the plan. The Council's focus has been on plugging financial gaps and ensuring it is financially sustainable. This close working with the Mayor and his team and the involvement in the process of all Strategic directors of services has ensured there is close alignment with the Council's strategic priorities albeit the major strategic objective has been to ensure financial sustainability over the next 3 years.	G
Ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council operates with a system that aligns the key elements of financial planning. Directors of services have had significant input to the development of the 3-year financial plan. In particular, the Strategic Director of Adults and Children’s has made major contributions to the plan through reviewing operational procedures and relationships with health partners to improve care packages and reduce costs. Increasing homelessness cost being incurred by the Council as a result of growing numbers of Asylum Seekers have been mitigated through cross-departmental working to find solutions to provide temporary accommodation. Despite these mitigating actions there remains an overspend in this area. The Council’s Capital programme for 2023/24 totalled £304.7m with spend for the year £138m. During the year many capital projects experienced delays in progress and increased costs. This has been attributable to instability in the construction industry, limited contractor capacity and continued inflationary pressures due to the current uncertain economic climate. The Council’s Capital programme for 2024/25 is £236.3m which has been developed in conjunction with services. We will monitor delivery as part of our ongoing value for money work The Council is engaging in a redesign of services in ASC and CSC to favourably impact financial planning in the medium term with examples being the introduction of permanent qualified Social Workers from abroad leading to reduced requirement for costly Agency staff as well as the establishment of two new Council owned Children's homes which is saving the considerable cost of having to outsource this function to the private sector (10k per month for Council owned home v £34.5k+ per month for private sector option). We are therefore satisfied that the financial planning process considers other plans such as capital, ASC, CSC and staffing.	G
Identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans	The Council has been clear in its identification of financial risk. These were reported via the Budget monitoring process during the 2023/24 and 2024/25 financial year to date. The major financial risk has been in view to members for some time now, namely the financial sustainability of the Council over the medium term and members have been left in no doubt about the potential threat to the Council of having to issue a s114 notice. Each budget monitoring report has a summary of the key financial pressures and clearly highlights the emerging risks to the longer term financial sustainability of the Council along with the measures being taken and the savings being identified to mitigate the pressures. the reports include the assumptions the Council has been working to plus year end forecasts of expenditure and the latest measures being taken to increase savings, manage costs down and address any demand pressures. The Council is aware of the pressure on its General Fund reserves and the impact this has on financial sustainability but is not currently in a position to develop a credible plan for the replenishment of these reserves. There is an expectation that the Council will have to, at some point in the 3-year period, approach MHCLG for Exceptional Financial Support (EFS). As part of this process it will critical that the Council has demonstrated it has reviewed all potential options including stopping discretionary spend. There is no doubt that the Council’s reserves position is precarious and reserves are at a level where any additional financial pressures which were unforeseen could prove to be a serious issue for the Council. Hence we have re-iterated our key recommendation from last year (see p.16)	R

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G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Financial sustainability (continued)

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Significant weaknesses identified in Financial Sustainability arrangements

Medium-term financial challenge to close the budget gap

The Council is facing significant financial pressures which have been building over the past 2 or 3 years. The 2024/25 budget was balanced only by the use of £61m reserves including £7m of the £15m Emergency reserve fund. Indeed, due to a number of cost pressures, the medium-term financial outlook is the most severe the Council has ever known. Like many authorities, they are facing significant challenges in balancing their budget in 2025/26, necessitating a formal report under section 114 of the Local Government Finance Act 1988. The Council has recognised the challenge and has developed a 3-year financial plan with the aim of both balancing its finances in the medium term and at the same time buying itself time to deliver more structural changes which will ensure its financial sustainability in the longer term. The 3-year financial plan has been published on 11th December 2024 and, once agreed, will form part of the 2025-26 budget submission to be signed off in February 2025.

We have reviewed an emerging draft of the 3-year plan and while it is realistic and includes a number of prudent assumptions and balances the budget over the 3-year period to the end of FY 2027/28, it does not address the longer term financial sustainability challenge as, in order to achieve a balanced budget over the 3-year period, it includes a number of one-off items which are not recurrent, including the use of revenue monies in reserves earmarked for capital activity and the use of capital receipts from asset sales to support revenue spend. This approach merely delays the problem for another year or two, it does not address the issue of the structural deficit which exists. Continually mounting pressures in ASC and CSC demand and, in particular, the impact of homelessness on the Council means that the Council will struggle to contain costs within their resource allocation beyond that 3-year time horizon and there will be a significant risk of having to apply for a s114 Notice.

Given the Council has yet to formally agree the 3-year plan and given the mounting financial pressures as outlined above (ASC, CSC, Homelessness), we propose to roll forward the key recommendation from the 2022-23 report into this year (see below) though in doing so we acknowledge the steps being taken to address the challenges.

Key recommendation 1 : The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward:

- **The identification and delivery of savings that reduce the indicative budget gap in 2025/26 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic.**
- **Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves)**
- **Considering how and when a credible plan can be developed for the rebuilding the reserves balance to ensure it can be replenished to provide financial security and cushioning in the future**
- **Difficult decisions are likely to be required in future budgets. The Council should therefore ensure that:**
  - **its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend,**
  - **where discretionary spend continues this spend can be managed within the available financial envelope whilst ensuring that statutory duties continue to be met, and**
  - **If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders**

Financial sustainability (continued)

Areas for improvement

Formal mechanism for monitoring and reporting on financial savings

The Council is developing a number of projects which will deliver financial savings and contribute to ensuring the financial sustainability of the organisation in the medium to long term. Currently these savings are monitored via a savings tracker which is discussed on an informal basis via the internal officer group of the Financial Sustainability Board (FSB). The Council should formalise its processes and mechanisms for the tracking and monitoring of savings identification and delivery. This should facilitate regular and timely reporting into OSC, ensuring visibility and proper challenge of all savings delivery

Improvement recommendation 1: Implementation of a formal savings monitoring and reporting mechanism.

The Council should implement more formal governance processes and mechanisms for tracking, challenging and reporting on the financial savings required to balance the MTFS.

Governance

Governance

We considered how the Council:	Commentary on arrangements	Assessment
Monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has established procedures to identify strategic risks, comprehend their nature, document them within the risk management system, and evaluate them, ensuring effective governance and risk management. In March 2024, the Risk Management and Business Continuity Policy Statements and Strategies were presented to the Governance and Audit Committee. These policies provide a framework for managing risks, supporting strategic priorities, and ensuring service continuity. The Risk Management Policy outlines the risk management process, including assessment, monitoring, and immediate action for risks scoring higher than 15. The Committee's responsibilities include approving the risk management and business continuity policies, reviewing reports on current and emerging risks, and monitoring insurance arrangements. The Head of Internal Audit's opinion is of "Reasonable Assurance" on the adequacy and effectiveness of the Council's internal framework. However, Internal Audit were unable to provide assurance on key ICT controls. In March 2024, the Council experienced a major cyber security incident, which resulted in the Council shutting down its IT networks and significant disruption to systems and processes. This led to minor delays in advancing a few audits, including a scheduled audit of key ICT controls. This audit, which included a follow-up on the cyber security audit from 2022-23, was unable to proceed due to the cyber incident. Consequently, Internal Audit could not provide assurance regarding material risk exposure. We do note that the Council was part of the Future Councils pilot cohort making digital and cyber improvements to the organisation. In response to the cyber security attack, our Cyber & Digital Investigations specialists undertook a detailed review of the breach to assess the risk posed to the Council and inform our value for money work. This review included an assessment of the likelihood and size of any fine from the Information Commissioners Office (ICO), any ongoing risk to the financial systems or integrity of financial data and the potential for legal action and/or commercial sanctions to be taken against the Council. Our review has concluded that the risk that the Council is exposed to is minimal and any legal action will not be material. We also note that the ICO have formally closed their investigation with regards to the incident and therefore the Council is not exposed to the risk of a fine. Notwithstanding this, during 2023/24 the Council's arrangements for mitigating the impact of a cyber-security incident were not at the level required due to isolated human error. We note that the Council have taken action to strengthen these arrangements but we raise an improvement recommendation in relation to the weaknesses in place during 2023/24. Furthermore, we note that, effective 1 August 2024 the Council has appointed Veritau Public Sector Ltd as its new internal audit provider. Veritau implemented an "opinion framework" to recognise, prioritise and coordinate the execution of internal audit services. We note from our work that the Council has yet to address the improvement recommendation raised in our 2022/23 report with regards to the consistency of information in the Risk Register. On that basis we have rolled forward this improvement recommendation for the Council to address.	A
Approaches and carries out its annual budget setting process	The Council has a robust budget setting process. The 2025/26 budget process is based on the three-year plan detailed in the financial sustainability section of this report. This includes budget savings targets for departments to identify and deliver in 2025/26. Directors are aware of these targets and are proactively looking at options to deliver against them. At the same time as identifying savings the Council has been trying to manage costs down by aiming to constrain growth in ASC and CSC.	G

Governance (continued)

We considered how the Council:	Commentary on arrangements	Assessment
Ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council's quarterly budget monitoring reports provide OSC with a clear understanding of the Council's financial position, as well as forecasts for the year-end. The minutes of the OSC meetings indicate that discussions and challenges focused on the areas of greatest variance, demonstrating a clear understanding of the areas requiring management and Member attention. Corrective action is taken where needed. Monthly budget reports are produced to ensure that budget holders are aware of financial performance. The Council is working with MHCLG (Ministry of Housing, Communities and Local Government) to agree alternative approaches to managing the budget and specifically is seeking a capitalisation directive to allow it to use capital receipts to support revenue. The Council also plans to re-purpose capital reserves as Revenue reserves so they can be used to manage the shortfall moving forward. These are one-off measures and, as indicated in our key recommendation in the Financial Sustainability section of this report, the Council will need consider how reserves can be replenished in the future to support financial sustainability.	G
Ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	Officers regularly brief key council members to ensure active information sharing and discussions about critical issues and risks. Efforts to improve governance understanding, including skill development and procedural enhancements, have been ongoing. The Audit Committee at Leicester City Council is composed of seven councillors and one independent member, whom has attended meetings since September 2022. We have rolled over the recommendation from last year for the Council to consider the merits of appointing an additional appropriately qualified independent member to the Governance and Audit Committee. The Committee is responsible for reviewing fraud risks, monitoring the counter-fraud strategy, and providing independent scrutiny of the authority's financial and non-financial performance to minimise risk. The Council has ensured the separation of executive roles and the membership of the audit committee in line with CIPFA guidance. The committee met six times during 2023/24 and was well attended. This exceeded the recommended minimum of four meetings per year. Also, this is included in Leicester City Council's requirements in its Terms of Reference.	A
Monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour and where it procures and commissions services.	The Council has an approved Local Code of Corporate Governance based on seven core principles from the International Framework: Good Governance in the Public Sector. The Council ensures openness and comprehensive stakeholder engagement through various means, such as open meetings, published executive decisions, scrutiny of projects, public engagement, and use of social media. Additionally, the Council operates with 13 committees subject to political balance, with the current political balance being 57.41% Labour, 31.48% Conservative, 5.56% Green, and 5.56% Liberal Democrat, following full elections on 4th May 2023.	G

Governance (continued)

Areas for improvement

Major Cyber Security Incident – March 2024

In March 2024, Leicester City Council experienced a major cyber security incident, which resulted in the Council shutting down its IT networks and significant disruption to systems and processes. It is noted from our detailed review into this issue that there are controls relating to cyber-security systems that the Council needs to improve. Therefore, we raise an improvement recommendation for the Council to take appropriate actions to mitigate the risk of future cyber-security incidents. In raising this recommendation we note that the Council has already taken significant actions to increase its resilience in this are.

Given we have confirmation from our internal Cyber and Digital Investigations team that the Information Commissioner's Office already closed their investigation and have spoken with the Council their response to the incident and ongoing monitoring activities, we are providing an improvement recommendation relating to the arrangements in place during 2023/24.

Improvement recommendation 2: Cyber Security Incident

The Council should ensure that actions taken following the cyber-security incident are embedded within the Council and cyber-security remains core to the Council's operations to reduce the risk of a future cyber-security incident.

Improvement required in the consistency of information in the Council's Risk Register

At March 2024, there were 26 strategic risks on the Corporate Risk Register, however there were some inconsistencies on the Risk register which implies that the risk Register needs a more in-depth review by the Corporate Management Team (CMT) as part of their quarterly review.

Given the Council has yet to adjust this in 2024, we propose to roll forward the improvement recommendation from the 2022/23 report into this year, though in doing so we acknowledge this is to be adjusted for the first round of reporting in 2025 and will include a summary of the key risk control actions for each strategic risk.

Improvement recommendation 3: Consistency of information in the Council's Risk Register.

The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date through better triangulation with other information to remove inconsistencies in scoring and understanding of the risks around Council's operations so that risk management becomes more embedded as a useful tool in the Council.

Governance (continued)

Areas for improvement

Appointing an additional independent member to the Governance & Audit Committee.

The Council should consider the merits of appointing an additional independent member of the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.

This recommendation was raised in our 2022/23 report, presented in April 2024 and we note that the Council has yet to formally consider the appointment of a second independent member, we propose to roll forward the improvement recommendation, though in doing so we acknowledge the Council will look at options for filling this position in 2025 and the terms of reference allow for this.

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Improvement recommendation 4: Appointing an additional independent member to the Governance & Audit Committee.
We recommend that the Council consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.

Improving economy, efficiency and effectiveness

Improving economy, efficiency and effectiveness

We considered how the Council:	Commentary on arrangements	Assessment
Uses financial and performance information to assess performance to identify areas for improvement	The Council oversees risk management and performance through a combination of internal and external audits, regular spending reports, and annual reviews of governance and risk management strategies. The Governance & Audit Committee supervises the Council's financial management arrangements to ensure operational soundness. In addition, the Scrutiny Committees are responsible for evaluating policies and practices, as well as questioning the performance and decisions of the City Mayor, Executive, Committees, and Council Officers. The Council maintains robust risk management and performance through various methods, including internal and external audits, information governance, and regular spending reports. It also conducts annual reviews of corporate governance, risk management strategy, and an assurance framework to monitor and assess strategic and operational risks. The Council defines outcomes in terms of sustainable economic, social and environmental benefits through the City Mayor's strategic vision which contain a number of key pledges and which have been regularly scrutinised: - A Fair City - Homes for All - Connecting Leicester - Sustainable Leicester - Health & Care - Lifelong Learning - A City to Enjoy - A Safe and Inclusive Leicester Some of the key outcomes from the Mayor's pledges in 2023/24 have been: - Continued improvement in transport infrastructure through the Connecting Leicester programme; - Investment in Council housing; and - Planned investment of £45m to address the homelessness crisis and pressures on temporary accommodation in the city. ***Continued on page 25***	A

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness

We considered how the Council:	Commentary on arrangements	Assessment
Uses financial and performance information to assess performance to identify areas for improvement (cont'd)	While the Council has performed well against its strategic priorities for 2023/24, we roll forward an improvement recommendation from 2022/23 as note that the Council do not currently publicly report on progress against each key performance indicator (KPI) linked to its key strategic priorities. At present, the performance reporting provides an overall summary of progress, informing users of the percentage of commitments achieved versus not achieved. Users therefore do not gain an understanding of which of the commitments the Council is performing well in versus those it is performing less well in. We recommend including, in the least as an appendix, greater detail on the individual performance indicators. The Council clearly have a suite of key performance indicators against which they measure performance. These are presumably aligned to its strategic objectives. These are known internally but are not currently shared publicly/externally.	A
Evaluates the services it provides to assess performance and identify areas for improvement	The Council has a corporate complaints policy for public complaints, compliments, and comments, covering matters under the Local Government & Social Care Ombudsman (LGSCO) and the Housing Ombudsman (HO). It outlines exclusions from the policy, such as complaints about adult and children's social care, elected officials, and school matters. The 2023/24 Ombudsman complaints overview report indicated that 99 complaints were investigated and responded by the Ombudsman. Out of the 99 ombudsman complaints received in 2023/24, 20 originated from the HO. Among these, 7 complaints were upheld in favour of the complainant, 8 were not upheld, and 5 were outstanding, resulting in a total compensation order of c. £7,000. The remaining 79 complaints were from the LGSCO, with 16 upheld in favour of the complainant, 54 not upheld, and 8 still outstanding, resulting in a total compensation order of nearly £8,500.The upheld complaints from both the HO and LGSCO were related to various issues such as the condition of property on allocation, delays in completing housing repairs, delays in assessing homelessness circumstances, housing register applications, complaints handling delays, the handling of Anti-Social Behaviour reports, outdated Anti-Social Behaviour policies, and the handling of a Right To Buy application. Resolutions instructed by the HO have been completed, primarily focusing on in-service resolutions. Further to the above, there are significant challenges to current activities, and the Mayor's manifesto priorities are backed by appropriate strategies. Strategic Directors, who oversee departmental budgets and strategy implementation, frequently meet with Finance to review service delivery and consider potential investments to enhance efficiency and service quality, rather than simply focusing on cost reductions.	G

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)

We considered how the Council:	Commentary on arrangements	Assessment
Ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The financial plans of the Council show numerous partnership agreements that are in line with its corporate goals and main priorities, such as promoting job creation, providing affordable housing, enhancing education, and addressing health needs and social care. Various partnerships include the Leicester Community Safety Partnership, which is a partnership of agencies dedicated to addressing crime, drugs, and disorder. The responsible authorities comprising a Community Safety Partnership include the Police, Fire and Rescue Authority, Local Authorities, Health Partners, and Probation Services. The Council engages effectively across these partnerships.	G
Commissions or procures services, assessing whether it is realising the expected benefits	The Council's financial regulations and contract standing orders, outlined in the Council's Constitution, mandate staff compliance when spending money with external providers. The Council has a Head of Procurement and specialised teams for different types of procurement, adhering to the Public Services (Social Value) Act and applying social value evaluation weightings. In response to a recommendation, the Council developed a Procurement Strategy 2024 – 2026, presented to the July 2024 Audit and Governance Committee. The strategy focuses on monitoring procurement activity, setting thresholds for quotations, and prioritizing getting it right the first time, obtaining the best value for Leicester, and supporting sub-contractors. It aligns with national and local priorities and anticipates government legislative and policy changes. The strategy is divided into three parts: the Council's strategic procurement framework, nine strategic procurement themes, and five key enablers. Additionally, the report notes plans for creating a contract management framework to support the strategy in the future. The Council's Contract Procedure Rules mandate an annual report to be presented to the Executive and the Governance and Audit Committee, providing information on procurement activities and compliance with the rules. The report includes details of waivers granted, which have decreased in number and value, largely due to the impact of COVID-19 and enhanced scrutiny. The Governance & Audit Committee is responsible for reviewing the annual report, considering proposed rule changes, and ensuring appropriate governance and risk management in procurement activities. The Council faces a key issue in its Medium Term Financial Strategy, as it expects reserves to run out in 2025/26, necessitating significant savings. Additionally, economic instability and rising inflation pose challenges, with the Council monitoring budgets and services to address increased costs and potential supply shortages. The Council is making efforts to manage capital budgets and account for inflation in project planning to mitigate these challenges.	G

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

Improving economy, efficiency and effectiveness (continued)

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Areas for improvement

Setting of KPIs for each service area with stretch targets

Key performance indicators are used to track performance of the Council's priorities as outlined in the Corporate Plan. Targets go through CMT and then agreed with Portfolio Holders. A 15% threshold is applied to determine red/amber/green ratings and does not change in-year (unless in exceptional circumstances). The Council's Performance and Accountability Framework underpins this approach and is due for review in 2024 as it was last updated in July 2021.

We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.

Given the Council has yet to formally implement a strategic plan, we propose to roll forward the improvement recommendation from the 2022-23 report into this year, though in doing so we acknowledge there is a strategic plan currently being considered.

Improvement recommendation 5: Setting of KPIs for each service area with stretch targets
We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.

Value for Money Recommendations raised in 2023/24

Recommendations raised in 2023/24

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	Recommendation	Type of recommendation*	Actions agreed by Management
	Financial Sustainability		
KR1	**Medium-term financial challenge to close the budget gap** The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward: • The identification and delivery of savings that reduce the indicative budget gap in 2025/26 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic. • Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) • Considering how and when a credible plan can be developed for the rebuilding the reserves balance to ensure it can be replenished to provide financial security and cushioning in the future • Difficult decisions are likely to be required in future budgets. The Council should therefore ensure that: ○ its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend, ○ where discretionary spend continues this spend can be managed within the available financial envelope whilst ensuring that statutory duties continue to be met, and ○ If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders	**Key**	Actions: The Council has recently published a budget strategy for 2025/26 which balances for the budget for the next 3 years and works towards making steps to reduce the financial gap. It is a clear priority for the Council to improve its financial position. Responsible Officer: Amy Oliver (Director of Finance) Due Date: Ongoing
IR1	**Formal mechanism for monitoring and reporting on financial savings** The Council should implement more formal governance processes and mechanisms for tracking, challenging and reporting on the financial savings required to balance the MTFS.	**Improvement**	Actions: This is agreed and will be included as part of the 2025/26 quarterly monitoring to OSC. Responsible Officer: Amy Oliver (Director of Finance) Due Date: July 2025

* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

	Recommendation	Type of recommendation *	Actions agreed by Management
	Governance		
IR2	**Major Cyber Security Incident – March 2024** The Council should ensure that actions taken following the cyber-security incident are embedded within the Council and cyber-security remains core to the Council's operations to reduce the risk of a future cyber-security incident.	Improvement	Actions: - The recommendation is accepted - As noted several significant actions have already taken place to improve our security posture. Responsible Officer: Andrew Shilliam (Director of Corporate Services) Due Date: Actioned and in-place
IR3	**Improvement required in the consistency of information in the Council's Risk Register** The information on the Corporate Risk Register needs to be reviewed so that it is fully up to date through better triangulation with other information to remove inconsistencies in scoring and understanding of the risks around Council's operations so that risk management becomes more embedded as a useful tool in the Council.	Improvement	Actions: Agreed and will be implemented as part of the reporting to Governance & Audit. Responsible Officer: Andrew Shilliam (Director of Corporate Services) Due Date: July 2025
IR4	**Appointing an additional independent member to the Governance & Audit Committee.** We recommend that the Council consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.	Improvement	Actions: This is already included in the terms of reference and consideration will be given to recruiting an independent member during 2025/26. Responsible Officer: Amy Oliver (Director of Finance) Due Date: September 2025

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* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Recommendations raised in 2023/24 (continued)

	Recommendation	Type of recommendation *	Actions agreed by Management
	Improving economy, efficiency and effectiveness		
IR5	**Setting of KPIs for each service area with stretch targets** We suggest as part of the review of the Performance and Accountability Framework that the Council should set KPIs for each service area with stretch targets to reflect the improvement in service areas required to meet the Council's financial challenge.	Improvement	Actions: This will be considered by the Corporate Management Team Responsible Officer: Alison Greenhill (Chief Operating Officer) Due Date: September 2025

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* Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendices

Appendix A:
Responsibilities of the Council

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

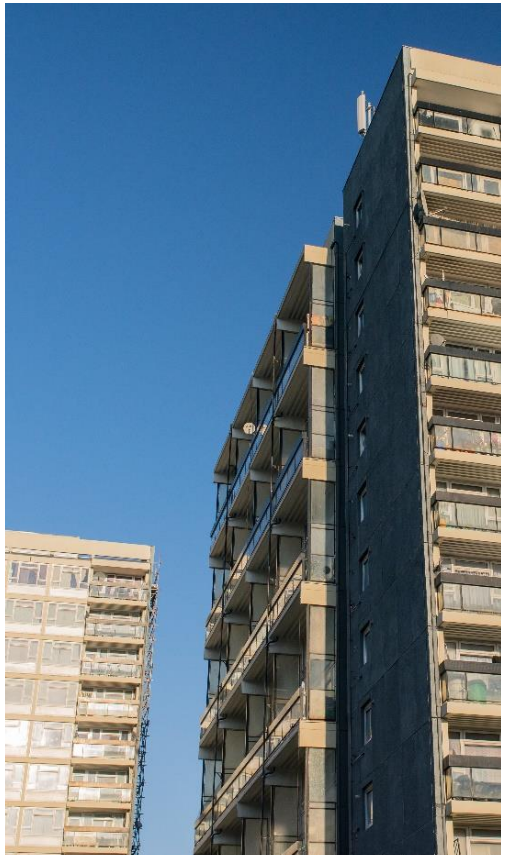
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records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

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

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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



Appendix B:
Value for Money Auditor responsibilities

Value for Money arrangements work

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The audited body's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial Sustainability

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

Governance

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

Improving economy, efficiency and effectiveness

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

2023/24 is the fourth year of the Code, and we undertake and report the work in three phases as set out in the Code.

Phase 1 – Planning and initial risk assessment

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

Information which informs our risk assessment	
Cumulative knowledge and experience of the audited body	Annual Governance Statement and the Head of Internal Audit annual opinion
Interviews and discussions with key stakeholders	The work of inspectorates and other regulatory bodies
Progress with implementing recommendations	Key documents provided by the audited body
Findings from our opinion audit	Our knowledge of the sector as a whole

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations. A range of different recommendations can be raised by the Council's auditors as follows:

- **Statutory recommendations – actions which should be taken where significant weaknesses are identified with arrangements. These are made under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014 and require discussion at full Council and a public response.**
- **Key recommendations** – actions which should be taken by the Council where significant weaknesses are identified within arrangements.
- **Improvement recommendations** – actions which should improve arrangements in place but are not a result of identifying significant weaknesses in the Council's arrangements.

Appendix C:
Follow-up of previous recommendations

	Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
1	**Financial Sustainability** The Council should re-consider all aspects of service delivery in order to ensure financial sustainability with efforts being directed toward: • The identification and delivery of savings that reduce the indicative budget gap in 2024/25 and in future years, along with supporting the replenishment of reserves. These savings should be realistic, evidence-based targets as opposed to unachievable or overly-optimistic. • Reducing reliance on one-off measures to support the revenue budget (including non-recurrent savings, one-off grants and reserves) • Rebuilding the reserves balance to ensure it can be maintained to provide financial security and cushioning in the future • Difficult decisions are likely to be required in future budgets. The Council should therefore ensure: • that its financial planning demonstrates and reports a clear understanding of statutory versus discretionary areas of spend, • that those discretionary areas can be managed within the available financial envelope, and • If required, how the reduction or removal of services in its long term plan fits with its organisational strategy and the priorities of stakeholders.	**Key**	April 2024	Work is ongoing in developing a sustainable plan to reduce growth pressures in social care and homelessness budgets and identifying savings options to balance 2025/26 budget including capital options. Revised MTFS to be presented to cabinet in November 2024.	Partially	Yes - Key recommendation re-iterated for 23/24

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:
Follow-up of previous recommendations

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	Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
	Governance					
2	The Council should improve the presentation of the Strategic Risk Register by including the key relevant controls and assurance and setting these out for each strategic risk reported to Governance & Audit.	Improvement	April 2024	Our Strategic Risk Reporting will be adjusted for the first round of reporting in 2025 and will include a summary of the key risk control actions for each of our strategic risks.	Partially	Yes – Recommendation rolled forward for 2023/24
3	The Council should consider the merits of appointing an additional independent member to the Governance & Audit Committee as per the CIPFA (2022) guidance Audit Committees: Practical Guidance for Local Authorities and Police.	Improvement	April 2024	The terms of reference for the committee allow for a second independent member. The Council will look at options for filling this position in 2025.	No	Yes – Recommendation rolled forward for 2023/24
4	The Council should include within its regular in-year reports to the Overview Select Committee and/or Audit Committee, alongside its year-end forecast outturn, consideration of best and worst-case outturn scenarios in relation to the Council's key financial risks/mitigations.	Improvement	April 2024	The monitoring reports already include narrative on potential risk areas and will look at developing this further in 2025/26.	Yes	No

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

Appendix C:
Follow-up of previous recommendations

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	Recommendations	Type of recommendation *	Date raised	Progress to date	Addressed?	Further action?
	Improving economy, efficiency and effectiveness					
5	We note that the Council do not currently publicly report on progress against each key performance indicator (KPI) linked to its key strategic priorities. At present, the performance reporting provides an overall summary of progress, informing users of the percentage of commitments achieved versus not achieved. Users, therefore, do not necessarily gain an understanding of which of the commitments the Council is performing well in versus those it is performing less well in. We recommend including, in the least as an appendix, greater detail on the individual performance indicators. The Council clearly have a suite of key performance indicators against which they measure performance. These should be aligned to its strategic objectives. These are known internally but are not currently shared publicly/externally. We now recommend that the Council: • publicly explain how these indicators are derived (e.g. statutory obligation); • for each KPI, outline a performance target which meets the service quality the Council wishes to deliver; • for each KPI, state performance against this target, how the performance has changed over time and consider benchmarking against near neighbours (NNs) as appropriate.	Improvement	April 24	A strategic plan is currently being considered and this would then the performance indicators we would report on.	No	Yes – Recommendation rolled forward for 2023/24

*Explanations of the different types of recommendations which can be made are summarised in Appendix B.

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Governance & Audit Committee

Work Programme 2024 – 2025

Workplan Item	Author	Frequency	Purpose
19 March 2025			
Regulation of Investigatory Powers Act 2000 - Bi-Annual Performance July-December 2023	Head of Information Governance and Risk	Bi-Annual	Committee to note
Contract Procedure Rules	Head of Procurement	Annual	Committee to note
Risk Management Update	Manager, Risk Management	Bi-Annual	Committee to note
Risk Management & Business Continuity Strategy and Policies 2024	Manager, Risk Management	Annual	Approval
Internal Audit Update and Internal Audit Plan 2025/26	Head of Internal Audit	Periodic	Committee to note
The Assurance Framework on which we will base the Annual Governance Statement 2025/26, including annual review of Local Code of Corporate Governance	Head of Finance	Annual	Approval
Committee's annual work / performance report and skills assessment	Director of Finance	Annual	Approval

ACTION TRACKER - GOVERNANCE AND AUDIT

ACTIONS ARISING FROM GA 18 September 2024

AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Minutes from the previous meeting	Councillor Kitterick highlighted the need to include an action log to keep track of which actions have been completed or outstanding.	Governance Officer	Included in the agenda for 29 January 2025	Closed
Third Party Relationships and Governance Update	To include an additional column to the appendix which includes a high-level summary of any relationships and commentary for each organisation to enhance clarity and transparency.	Monitoring Officer	To include in future reports	Closed
Local Governance & Social Care Ombudsman and Housing Ombudsman Complaints & Corporate Complaints 2023/24	To include thematic and qualitative analysis in future reports	Director of Corporate Services	To include in future reports, next due in 2025/26.	Closed
Financial Sustainability	A more detailed report addressing financial sustainability to the next committee	Director of Finance	Actioned on the 5th of December meeting	Closed

ACTIONS ARISING FROM GA 5th December 2024

AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Minutes of the Previous Meeting	Publication of Minutes of last meeting before the new-year.	Monitoring Officer	Included in the agenda for 29th January 2025.	Closed
Minutes of the Previous Meeting	Circulate Action Log	Monitoring Officer	Included in the agenda for 29 January 2025, and will be a standing committee item	Closed
Mid-year Fraud	Identifying where students are not living in properties that get student discount	Director of Finance	Response circulated 21st January 2025	Closed
Mid-year Fraud	Identifying those claiming single person discount	Director of Finance	Response circulated 21st January 2025	Closed

ACTIONS ARISING FROM GA 29th January 2025

AGENDA ITEM	ACTION REQUIRED	DIRECTOR RESPONSIBLE	PROGRESS NOTES	COMMENTS
Internal audit work programme consultation 2025/26	Internal Audit Plan 2025/26 to 19 March 2025 Meeting	Director of Finance	Added to the Governance & Audit workplan	Open
SEND Transport and Children's Homes	Internal Audit to include for the workplan for 2025/26	Director of Finance	Added to the Governance & Audit workplan	Open