

Leicester
City Council

MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

DATE: TUESDAY, 17 FEBRUARY 2026

TIME: 5:30 pm

PLACE: Meeting Room G.01, Ground Floor, City Hall, 115 Charles Street, Leicester, LE1 1FZ

Members of the Committee

Councillor Kaur Saini (Chair)

Councillor Russell (Vice-Chair)

Councillors Bajaj, Joel, Moore, Rae Bhatia, Singh Patel and Kitterick

Independent members: Seema Jaffer and Mohammed Chunara

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

For Monitoring Officer

Officer contacts:

Officer contact: Sharif Chowdhury Senior Governance Officer Governance Services, Leicester City Council, City Hall, 115 Charles Street, Leicester, LE1 1FZ Tel. 01164540538 Email. governance@leicester.gov.uk

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

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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. MINUTES OF THE PREVIOUS MEETING

Appendix A
(Pages 1 - 6)

The minutes of the meeting held on 26 January 2026 are attached and Members will be asked to confirm them as a correct record.

4. STATUTORY STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2024/25

Appendix B
(Pages 7 - 258)

The Director of Finance submits a report to the Governance and Audit Committee which presents the Statutory Statement of Accounts and Annual Governance Statement 2024/25, along with an update from the External Auditor, which details their audit work and any recommendations.

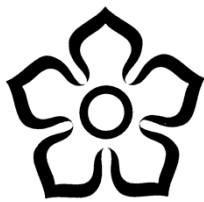
5. EXTERNAL AUDIT ANNUAL REPORT 2024/25

Appendix C
(Pages 259 - 312)

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. ANY OTHER URGENT BUSINESS



Leicester
City Council

Item 3

Minutes of the Meeting of the GOVERNANCE AND AUDIT COMMITTEE

Held: MONDAY, 26 JANUARY 2026 at 5:30 pm

P R E S E N T :

Councillor Kaur Saini (Chair)

Councillor Bajaj

Councillor Kitterick

Councillor Moore

* * * * *

1. CHAIR'S ANNOUNCEMENTS

The Chair attended an Audit and Scrutiny Chairs meeting at the end of 2025 which focussed on the expectations of the role, aims and objectives, the role of internal and external auditors and risk management within audit and scrutiny commissions. The Chair found the meeting useful in understanding the barriers officers and members face.

The Chair found the meeting useful in understanding how other councils operate, recognising that members of Leicester City Council's Governance and Audit Committee had a very good understanding of the purpose of committee and the role of key stakeholders.

The Chair was happy to provide further information to members on the meeting upon request.

2. APOLOGIES FOR ABSENCE

Apologies were received from Councillors Russell, Joel, Rae Bhatia and Singh Patel.

3. DECLARATIONS OF INTEREST

There were no Declarations of Interest.

4. MINUTES OF THE PREVIOUS MEETING

The minutes of the previous of meeting held on 26 November 2025 were confirmed as a correct record.

5. MID-YEAR PROCUREMENT UPDATE

The Head of Procurement, Izabela Skowronek presented the mid-year procurement report which includes information on waivers following concerns raised by the Committee at the September 2025 meeting.

The following points were highlighted:

- The Council has completed 63 procurements with a total estimated value of £202m within the period of April to September 2025-26.
- There have been 20 waivers for under £4m, table one and two within the report provides a breakdown by department.
- This represented a significant reduction compared to 122 waivers approved during the 2024-25 financial year.
- While noting that this was a mid-year position, officers stated that the reduction was encouraging and indicated that improved controls and compliance arrangements were beginning to have a positive impact.

In response, members raised the following points:

- A member asked for a clear definition of what constituted a procurement waiver. The Head of Procurement clarified that waivers in this case referred to when the Council was required to continue without full implementation of elements of the Contract Procedure Rules. Reasons could include a need for urgency, continuity of service, retrospective approval or limited market availability.
- It was emphasised that waivers were part of a controlled governance framework and did not exempt from the complying with the requirements of procurement law.
- A member commented that while some waivers such as emergency works were understandable, others appeared predictable and asked what action was being taken to reduce foreseeable waivers in future and queried examples including specialist services where alternative procurement options were limited.
- Officers acknowledged the concern and advised that several measures were in place to reduce future waivers including enhanced monitoring of spend and early identification of procurement risks, increased engagement with Directors and service areas, targeted training to reinforce procurement planning requirements, lead-in times and continued scrutiny of high-risk waivers.
- In relation to security services, officers explained that two waivers had exceeded legal procurement thresholds following an unsuccessful procurement exercise. To ensure continuity of service, a waiver had been approved to extend the existing arrangements while a compliance procurement exercise was re-run.

RESOLVED

1. The Commission noted the contents of the report and made comments to the Director of Finance.

6. INTERNAL AUDIT PROGRESS REPORT

The Head of Internal Audit, Connor Munro presented the Internal Audit Progress Report. The following points were raised:

- Five audits have been finalised and a further four audits have reached the report stage.
- Members were referred to the reports provided within the agenda pack which provided an overview of the overall status of the audit programme including ICT Network Security, Contract Management, Information Security, Purchasing and information on the Contract Procedure Rules.
- Members were informed that delivery priorities have been prioritised as the end of the audit programme was near.
- It was reported that there were currently approximately 21 audits identified for future consideration, which would form part of the consultation.
- Attention was drawn to the Contract Procedure Results, Waiver Audit, which had been requested by the Governance and Audit Committee in September.
- The audit reviewed the five highest value contract waivers across departments, to evaluate whether they were in compliance with the Contract Procedure Rules. The audit concluded that there was reasonable assurance, with a robust control framework in place including input from Finance, Legal, Procurement, Directors and the Strategic Procurement Board.
- It was noted that four of the five waivers reviewed were retrospective in nature. While the audit identified that improved forward planning could potentially have avoided some of these situations, it was emphasised that the Council's approach of not strictly applying the Contract Procedure Rules and instead requiring transparency and corrective action. Overall, the waiver process was assessed as operating effectively.
- Members were advised that at the time of reporting there were no overdue audit actions, demonstrating a strong level of engagement and compliance by officers in implementing agreed actions.

There were no further questions from the commission.

RESOLVED

1. The Commission noted the progress made in delivering the 2025/26 internal audit work programme, and plans for delivery over the remainder of the year.

7. INTERNAL AUDIT WORK PROGRAMME CONSULTATION - 2026-27

The Head of Internal Audit, Connor Munro presented the Internal Audit Programme Consultation 2026-27.

The following points were highlighted:

- It was noted the Internal Audit Work Programme Consultation is required as a professional and independent assurance service to develop and deliver an annual work programme that is risk-based and aligned with the Council's risk profile, the Council's governance framework, requirements of the Public Sector Internal Audit Standards (PSIAS) and expectations of external audit and other regulatory bodies.
- Members were informed that the work programme concerns the Internal Audit's ability to provide an annual opinion on the effectiveness of governance, risk management and internal control arrangements.
- The Commission was informed that Internal Audit develops its assessment independently, of key risk areas across the organisation but also consults with the Governance and Audit Committee to ensure that members priorities and potential risks are appropriately considered.
- The Head of Internal Audit clarified informed members that they were able to formally or informally suggest potential audit priorities for inclusion within the programme, and the report represented the consultation stage of the audit planning process.
- The proposed work programme is designed to be flexible and allow for amendments during the year.

The Head of Internal Audit responded to queries from members:

- A member raised a request for Internal Audit to consider inclusion of work relating to Council officers holding multiple roles or contracts, particularly where individuals may be undertaking more than more role within the City Council.

RESOLVED

1. That the Governance and Audit Committee noted the Internal Audit Work Programme Consultation 2026-27
2. That Internal Audit incorporate the agreed additional work area.

8. ACTION TRACKER

The Action Tracker was noted.

9. ANY OTHER URGENT BUSINESS

There being no other urgent business the meeting concluded at 17.39pm.

Statement of Accounts & Annual Governance Statement 2024/25

Governance and Audit Committee

Decision to be taken by: Governance & Audit Committee

Date of meeting: 17 February 2026

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Claire Gavagan
- Author contact details: claire.gavagan@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 2024/25.
- 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 2024/25, Appendix 2
 - Approve the Annual Governance Statement 2024/25, Appendix 2.
 - Approve the Letter of Representation submitted by the Director of Finance (S151), attached at Appendix 3.
 - Delegate authority to approve changes in relation to IFRS16 and 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 2024/25 we must publish on or before 28 February 2026.
- For future years the dates are laid out in the table below

Year beginning in	Date
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.
- 4.4. The draft (unaudited) 2024/25 accounts were considered by this committee on 14 July 2025.
- 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 2025.
- 4.6. There has been delays to the completion of the audit due to the implementation of IFRS16, which has created additional testing to be completed, we are not the only Council this has impacted, it is a trend across local government
- 4.7. Due to the delays in this this report linked to IFRS16, this report proposes the delegation of any changes from IFRS16 to the Director of Finance. Any changes needed does not impact the money available, just the way it is accounted for.
- 4.8. The Committee should note it is positive that we will receive an unqualified audit opinion and take assurance from this opinion.
- 4.9. The Director of Finance has recognised that the process for the final accounts needs to improve, and has already taken immediate action and will continue to work on a plan for 25/26 accounts

External Audit

- 4.10. 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.

- 4.11. 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. The two changes that have impacted on the Council balance sheet are:
- The first is in relation to the BIFFA settlement, this was treated as a contingent liability at the point we published the draft statement accounts, as there had been no settlement and no reasonable estimate could be made. Since the publishing the draft accounts we have now made a settlement, and this therefore requires us to retrospectively make a provision.
 - A second correction was made in relation to our property funds which for many years have been held as capital investments. Upon review this has been decided to be an incorrect treatment and is now being treated as an investment, this has led to us now holding this as an earmarked reserve.
- 4.12. 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.
- 4.13. Key actions to be noted in the statements are identified below:
- Lack of quality control in capital accounting – We have made significant improvement in our capital accounting processes and controls, however we recognised this is an area in which we need to continue to improve
 - Reoccurring errors in the financial statements – The Council has struggled with resourcing in the Corporate Accountancy team but have put additional resources in and controls for 2025/26 recognising this issue.
 - Debtor and Creditor reconciliations – This process will be reviewed, and improvements made for 25/26
 - Lack of action over reconciling items in the bank reconciliation – This process is continuing to be reviewed, and improvements to be made for 25/26, currently corrected in 2025/26
 - Management expert output not reviewed - IAS19 calculation to be confirmed - This process is continuing to be reviewed, and improvements to be made for 25/26
 - Correction of a various misclassifications as laid out in the audit findings report at Appendix 1.

Annual Governance Statement

- 4.14. 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.
- 4.15. This is an important statement that should assure the people of Leicester that the Council operated in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse.
- 4.16. 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

- 4.17. 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.
- 4.18. 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: Claire Gavagan, Assistant Director of Finance

Dated: 5 February 2026

5.2. Legal Implications

There are no direct legal implications arising from this report.

Signed: Kevin Carter

Dated: 9 February 2026

5.3. Equalities Implications

Under section 149 of the Equality Act 2010, the Council must have due regard to the need to eliminate discrimination, advance equality of opportunity, and foster good relations between different groups.

This report seeks approval of the Council's 2024/25 Statement of Accounts and Annual Governance Statement. These are technical and regulatory documents concerned with financial reporting and assurance arrangements rather than service design or policy delivery. As such, they do not have a direct or differential impact on people with protected characteristics.

Sound governance and financial management underpin the Council's ability to allocate resources fairly and transparently, which in turn supports the advancement of equality through its wider functions.

There are therefore no direct equality implications arising from this report

Signed: Equalities Officer, Surinder Singh Ext 37 4148

Dated: 5 February 2026

5.4. Climate Emergency Implications

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

Signed: Phil Ball, Sustainability Officer. Ext. 37 2246

Dated: 9 February 2026

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 2024/25
- 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

Audit Findings (ISA 260) Report for Leicester City Council

Year ended 31 March 2025

17 February 2026



Leicester City Council
115 Charles Street
Leicester
LE1 1FZ

17 February 2025

Dear Members of the Governance and Audit Committee

Audit Findings for Leicester City Council for the 31 March 2025

4 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 Governance and Audit Committee.

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

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

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We 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
15 Director
For Grant Thornton UK LLP

Chartered Accountants

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Headlines and status of the audit

Headlines

This page and the following summarises the key findings and other matters arising from the statutory audit of Leicester City Council (the ‘Authority’) and the preparation of the Authority's financial statements for the year ended 31 March 2025 for the attention of those charged with governance.

Financial statements

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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 Authority's financial statements give a true and fair view of the financial position of the Authority and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), 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 during June 2025–January 2026. Our findings are summarised on pages 36 to 50. We have identified nine adjustments to the financial statements that have resulted in adjustments to the Authority’s Comprehensive Income and Expenditure Statement. These adjustments result in a reduction of £10m in the level of the Authority’s usable reserves at 31st March 2025 due to settlement of the Biffa dispute, however the adjustment is effectively moving expenditure between financial years.

We have identified two material prior period adjustments. There is no impact on the Authority’s usable reserves. Further detail is on page 26.

We have also raised recommendations for management as a result of our audit work. These are set out at page 51 to 53. Our follow up of recommendations from the prior year’s audit are detailed at page 54 to 59.

We have experienced delays to the completion of the audit due to the Council’s draft accounts not accounting for the implementation of IFRS 16, which came into effect 1 April 2024. We received the workings papers in January 2026, ahead of the audit backstop deadline on 27 February 2026. This has required additional resource to be allocated to the audit, later than initially planned, and has therefore resulted in a fee variation, reported on page 64. The identification of a number of errors in our testing, has led to additional work in the areas of creditors, expenditure completeness, income completeness, PPE valuations and school cash. This has resulted in a fee variation, reported on page 64.

Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion subject to the following outstanding matters by the backstop date of 27 February 2026:

- review management’s assessment for the impact of IFRS16 on the financial statements, including PFI liabilities
- receipt and review of the Council’s responses to our queries on financial instruments
- receipt of management representation letter; and
- review of the final set of financial statements

We have concluded that the other information to be published with the financial statements, 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 following the Governance and Audit committee on 17 February 2026.

Headlines

Value for money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice (the 'Code'), we are required to consider whether the Authority 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 Authority'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 Authority's arrangements under the following specified criteria:

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

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 significant weaknesses in the Authority's arrangements and so are not satisfied that the Authority 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 (page 60).

Headlines

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable to the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

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Significant matters

We have experienced delays to the completion of the audit due to the Council's draft accounts not accounting for the implementation of IFRS 16, which came into effect 1 April 2024. We have also identified a number of errors in our testing that have resulted in additional work to gain appropriate assurance. As a result of these delays, as well as to reflect time spent on additional testing to gain appropriate assurance following errors identified in our testing, we will be raising a fee variation. This is set out in further detail at Appendix E.

With statutory reporting deadlines due to come forward significantly over the coming years, it will become increasingly critical for the Council to strengthen the accounts preparation process, reduce the level of errors presented for audit, and ensure that sufficient resources are available to support delivery of the audit within agreed timescales. As highlighted above, the backstop deadline for the 2026/27 audit year is 30 November 2027. Based on our current assessment, there is a risk that the Council will be unable to deliver a complete and auditable set of financial statements by this deadline unless timely and sustained improvements are made to address the recommendations set out in our Audit Findings Report and to enhance the overall quality of the accounts.

Headlines

Statutory duties

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

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

We have completed the majority of work required under the Code.

However we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014, and the Code of Audit Practice, until confirmation has not been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the C&AG, and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.

→ We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Headlines

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16.

22 Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- “a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration.”

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Authority

The Council did not complete an assessment for the transition to IFRS16 for the publication of the draft financial statements.

We received the workings papers in January 2026, which showed an increase in lease liabilities and Right of use assets of approximately £2 million. This is below our audit materiality threshold and therefore considered immaterial to the reader's understanding of the financial statements.

We are performing specific audit procedures to ensure the completeness of recorded assets. This included reviewing the processes and systems used by the Council to capture and maintain lease data. We have also addressed the risk of understatement by testing a small sample of the associated calculations of the lease liabilities.

Our work on this area is ongoing.

Materiality

Our approach to materiality

As communicated in our Audit Plan dated 23 May 2025, we determined materiality at the planning stage as £22.4m based on 1.8% of prior year gross expenditure.

At year-end, we have reconsidered planning materiality based on the draft financial statements. Materiality has been updated to £21.4m because the Council's current year draft gross expenditure had decreased, compared to prior year.

A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality at £21.4m based on professional judgement in the context of our knowledge of the Authority.
- We have used 1.8% of current year gross expenditure as the basis for determining materiality.
- 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

- We have determined performance materiality at £13.91m, this is based on 65% of headline materiality.

Specific materiality

- We have set a specific materiality of £19.3k on senior officer remuneration, as this disclosure is particularly sensitive and of interest to the reader. This is based on 1.8% to the total senior officer remuneration value of £1.073m in the current period.

Reporting threshold

- We will report to you all misstatements identified in excess of £1.07m, in addition to any matters considered to be qualitatively material.

Overview of significant and other risks identified

Overview of audit risks

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor’s judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

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Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	●
Valuation of land and buildings, and surplus assets	Significant	↔	✗	High	●
Valuation of the pension fund net asset / liability	Significant	↔	✗	High	●
Completeness of operating expenditure and creditors	Other	↔	✗	Low	●
Completeness, existence and accuracy of cash and cash equivalents	Other	↔	✗	Low	●
Valuation of Council Dwellings	Other	↔	✗	Medium	●

- ↑

 Assessed risk increase since Audit Plan
- ↔

 Assessed risk consistent with Audit Plan
- ↓

 Assessed risk decrease since Audit Plan
- Not likely to result in material adjustment or change to disclosures within the financial statements
- Potential to result in material adjustment or significant change to disclosures within the financial statements
- Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Key observations
<div>27</div> <p>Management override of controls</p> <p>Under ISA (UK) 240, there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the design and implementation of management controls over journals; analysed the journals listing and determined the criteria for selecting high risk unusual journals; identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. 	<p>We reported to you in our audit plan and in prior audits that there continues to be a lack of an established approval process for all journals. 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 have rolled forward our recommendation to management on page 59.</p> <p>We have noted no material adjustments or further findings in relation to override of controls.</p> <p>We are satisfied that judgements made by management are appropriate and have been determined using consistent methodology.</p> <p>Having assessed management’s judgements and estimates individually and in aggregate we are satisfied that there is no material misstatement arising from management bias across the financial statements.</p>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of land and buildings, and surplus assets</p> <p>The Council is required to revalue its land and buildings on a rolling, five-yearly basis.</p> <p>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.</p> <p>28 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.</p>	<p>We have:</p> <ul style="list-style-type: none"> 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 design and implementation of relevant controls; 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; 	<p>We have noted material adjustments and other findings in relation to Valuation of land and buildings, and surplus assets.</p> <p><u>Differences between the Valuation report and the Fixed Asset Register</u></p> <p>We identified a number of assets which had been valued in year that were inaccurately recorded in the fixed asset register, leading to material misstatements in the draft financial statements. Land and Buildings are overstated by £57.7m, including £49m because Crown Hills Community College is duplicated on the Fixed Asset register. This adjustment is reported on page 38.</p> <p>A reconciliation between management’s expert’s valuation report and the draft financial statements is considered by us to be a relevant control that did not occur in year. We have raised a recommendation that capital accounting is subject to quality checks on page 51.</p> <p><u>Valuation of Plant in the Council’s Leisure centres</u></p> <p>In 2022/23, the valuation methodology for leisure centres was to apportion out the plant (i.e air conditioning units, swimming pool heaters) as a separate asset to the land and buildings. In 2024/25, we selected a leisure centre valuation for testing and identified that the plant element is no longer deemed to be significant enough to require recognition as a separate component, in line with the CIPFA Code (ref 4.1.2.43) requirements on componentisation, and recognition of separate assets.</p>
Continued overleaf...		

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of land and buildings, and surplus assets (continued)</p> <p>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.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none">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 have 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.	<p>Management did not make the necessary corrections to the fixed asset register to remove the plant assets in 2023/24, when the valuer no longer deemed them be significant enough to warrant componentisation. The impact of this is that Vehicles, Plant, Furniture & Equipment (VPFE) is overstated by £19.075m in 2024/25. Also, VPFE is overstated by £22.890m in 2023/24, which is material and requires a prior period adjustment in line with IAS8. We have highlighted this as a significant matter on page 26.</p> <p>This has been reported as an adjusted misstatement on page 38. We have also reported that management should include an accounting policy for their approach to componentisation. This is reported as a disclosure misstatement on page 42.</p> <p><u>Indexation</u></p> <p>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.</p> <p>The valuer applied national capital growth indices for Existing Use Value (EUV) assets across the Office, Industrial, Retail, and Other sectors. We challenged the valuer whether the regionally specific data for the East Midlands, sourced from the same published indices is a more appropriate basis. The valuer agreed that it was appropriate to apply the regional data, and the impact is PPE assets have been overstated by £2.116 million. This is been reported as an adjusted misstatement on page 38.</p>

Continued overleaf...

Significant risks

Risk identified	Key observations
Valuation of land and buildings, and surplus assets (continued)	<p><u>Ashton Green valuation</u></p> <p>We identified that phase D and E in the Ashton Green land asset should be classified as Assets Held for Sale given that it was actively marketed for sale before, and at, 31st March 2025. The Code requires that non-current assets classified as held for sale are to be measured at the lower of its carrying value and fair value less costs to sell at initial reclassification. Given the carrying value of £12.75m is lower than the fair value of £26.74m, the impact of this is that PPE is overstated by £26.74m, and Assets Held for Sale are understated by £12.75m.</p> <p><u>Assets subject to detailed testing</u></p> <ul style="list-style-type: none">- The Council have revalued Hospital Close, an AUC asset that is not ready for use, earmarked for Council Dwellings development. As per the CIPFA Code (ref 4.1.2.30), AUC assets are to be held at historic cost and therefore it is inappropriate to apply a current value revaluation to this asset. The impact is PPE is understated by £3.2m and is reported on page 38.- We identified a number of errors through our detailed testing such as incorrect yields, rental income, land value, land site area see page 37,38 and 39 for further details.

Significant risks

Risk identified	Audit procedures performed	Key observations
<div> <div>Valuation of net pension liability/asset</div> <div> <p>The Council's pension fund net liability (unfunded scheme) and surplus (funded scheme), as reflected in its balance sheet represents a significant estimate in the financial statements due to the and the sensitivity of the estimate to changes in key assumptions.</p> <p>31 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).</p> </div> </div> <div>Continued overleaf...</div>	<div> <div>We have:</div> <div> <ul style="list-style-type: none"> 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 and implementation of relevant 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; </div> </div>	<div> <div>We evaluated the design and implementation of relevant controls and noted that management did not undertake a review of the actuary's assumptions used in the IAS19 report before publishing the draft accounts. Therefore, we have raised a recommendation on page 53 that management should ensure that the assumptions used by the actuary are reviewed in a timely manner, to mitigate the risk that assumptions and methods are inappropriate.</div> <div>We identified that Note 42 does not agree to the actuary report provided in June 2025. Management based the accounts on a previous version of the actuary report issued in April 2025, which had been superseded. This has been reported as a disclosure misstatement on page 47.</div> <div>In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. While there is consideration of the position across the LGPS it is expected that employers include proportionate narrative disclosures in the notes to the accounts, given the estimated impact is uncertain. This has been reported as a disclosure misstatement on page 47.</div> </div>

Significant risks

Risk identified	Audit procedures performed	Key observations
<p>Valuation of net pension liability/asset (continued)</p> <p>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.</p> <p>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. Also the Authority has had to consider the potential impact of 'IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset'.</p> <p>With regard to these assumptions, we have therefore identified valuation of the Council's pension fund net asset / liability as a significant risk.</p>	<ul style="list-style-type: none"> 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. 	<p>The auditor of Leicestershire Pension Fund communicated the following findings with regards to Leicester City Council:</p> <ul style="list-style-type: none"> an understatement of the benefits paid figure used by the actuary of £9.3m, which has a net nil impact on the net asset/liability calculation, because gross assets and gross liabilities are both reduced by this amount. an understatement of the Council's assets by £2.3m, by comparing the data submitted by the Pension Fund to the actuary, to the Pension fund financial statements published at a later date. an overstatement of the Council's assets by £1.6m, by comparing the Fund's investment asset listing to audit evidence. <p>These have been raised as disclosure misstatements on page 48. Due the asset ceiling adjustment which ensures there is a net nil asset for the Local Government Pension funded scheme, there is no impact on the balance sheet.</p> <p>Our audit work has not identified any material issues in respect of the valuation of net pension liability.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
<p>Completeness of operating expenditure and creditors</p> <p>Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses.</p> <p>Management uses judgement to estimate accruals of un-invoiced costs. During the course of the five 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.</p> <p>We therefore identified completeness of non-pay operating expenditure and creditors as a risk requiring particular audit attention.</p>	<p>We have:</p> <ul style="list-style-type: none"> evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness gained an understanding of the Council's processes and control activities for accounting for non-pay expenditure tested a sample of balances included within trade and other payables tested a judgemental selection of payments 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. 	<p>We judgementally 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 maintenance services, which related to 2024/25, that had not been accrued for.</p> <p>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 identified one further invoice from the same supplier which was not accrued for. We did not identify any further instances of expenditure being understated, and based on our testing, conclude that the risk of misstatement is related to the invoices from this specific supplier.</p> <p>The impact is immaterial and therefore no adjustments have been made. Overall, we have concluded that there is not a material misstatement in Completeness of operating expenditure and creditors.</p> <p>Therefore, we have rolled forward our recommendation made in the prior year, on page 54, 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.</p>

Other risks

Risk identified	Audit procedures performed	Key observations
<p>Completeness, existence and accuracy of cash and cash equivalents</p> <p>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.</p> <p>Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring special audit consideration.</p>	<p>We have:</p> <ul style="list-style-type: none"> • agreed all period end bank balances to the general ledger and cash book; • agreed cash and cash equivalents to the bank reconciliation; • agreed all material reconciling items and a judgemental selection of other items to sufficient and appropriate corroborative audit evidence; • obtained the bank reconciliation for the following month end and review the reconciling items against those included on the period end bank reconciliation; • written to the bank and obtained a bank balance confirmation; • agreed the aggregate cash balance to the relevant financial statement disclosures. 	<p>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.</p> <p>We identified a total variance of £3.578m between the bank confirmation and the value per the financial statements, with the cash balance in the financial statements being overstated. This is included on page 49 as an unadjusted misstatement.</p> <p>Since 2022/23 we have recommended that management revisit the closedown process to ensure that the 31 March cash balances are recorded in the accounts. This has not been appropriately addressed. This is included in page 59.</p> <p>We identified receipts recognised in the ledger, not matched to income in the bank account, that were not resolved in a timely basis as part of the bank reconciliation process. We also identified uncleared cheques that had not cleared since 2022. This represents a deficiency that the bank reconciliation process is not designed effectively. As part of the bank reconciliation, reconciling items should be reviewed to confirm if they are genuine reconciling items and cleared on a timely basis. This is reported as a deficiency in page 53.</p> <p>We have concluded our work in this area and have no further findings to report. We are satisfied from the work completed the Existence, accuracy and completeness of Cash and cash equivalents is free from material misstatement.</p>

Other risks

Risk identified

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, Communities 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.

Beacons not subject to full revaluation in year are revalued on a desktop basis using an index.

We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a as a risk requiring special audit consideration.

Audit procedures performed

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.

Key observations

We have reviewed the indices applied to beacons valued on a desktop basis against appropriate market data obtained by the audit team independently. This identified a difference of £2.1m 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 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.

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Other findings

Other findings – significant matters

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Issue	Commentary	
Prior year adjustments identified	<p>Through the course of our audit procedures, we identified two errors in the testing of current year balances, that have resulted in material prior year adjustments:</p> <p>1.) In 2022/23, the valuation methodology for leisure centres was to apportion out the plant (i.e air conditioning units, swimming pool heaters) as a separate asset to the land and buildings. In 2024/25, we selected a leisure centre valuation for testing and identified that the plant element is no longer deemed to be significant enough to require recognition as a separate component, in line with the CIPFA Code (ref 4.1.2.43) requirements on componentisation, and recognition of separate assets. Management did not make the necessary corrections to the fixed asset register to remove the plant assets of £22.89m in 2023/24 from the Balance sheet, meaning long term assets (PPE) are overstated by this amount at 31st March 2024.</p> <p>2.) In the testing of Revenue Grants, we identified that the Social Services Support Grant of £28.101m has been misclassified in the 2023/24 prior year comparators in the CIES. Given that the Social Care Grant is ringfenced for adult and children’s social care, it should have been treated as a specific grant credited to services, rather than as an un-ringfenced grant. As this is a classification adjustment, this has no impact on the Grant income total reported in the CIES.</p>	<p>Auditor view</p> <p>These issues are material and require a prior period adjustment in line with IAS8, and the CIPFA code disclosure requirements (ref 3.3.4.5)</p> <p>Management response</p> <p>Both areas adjusted as recommended, and improvement processes in place for 25/26 to ensure further clarification and correct accounting</p>

Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of land and buildings, and surplus assets £1,328m at 31 March 2025 (draft accounts)	<p>Other land and buildings comprises of specialised assets such as schools and libraries (approx. 78%), 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. 22%) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end.</p> <p>Surplus assets are required to be valued at Fair Value at year end.</p> <p>The Authority has engaged it’s internal valuation team to complete the valuation of properties as at 31st March 2025 on a rolling basis. The remaining assets are subject to a desktop valuation, whereby the valuer applies an index to mitigate the risk of materially differences between the carrying values and current values.</p> <p>The total year end valuation of land and buildings, and surplus assets (disclosed in the draft accounts) was £1,328m, a net increase of £233m from 2023/24 (£1,095m).</p>	<p>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 challenges of management and their expert.</p> <p>We have considered the movements in the valuations of individual assets and their consistency with relevant market indices.</p> <p>We have considered the completeness and accuracy of the underlying information used to determine the estate.</p> <p>We have challenged the appropriateness of the indices used in the desktop valuation, and assumptions used by the Council’s valuer in our detailed testing.</p> <p>The findings of the work above are set out on pages 17-19.</p> <p>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.</p> <p>We have challenged management that the disclosure of estimation uncertainty, in Note 5, does not meet the requirements of IAS1. The narrative on PPE and Fair Value Measurements should include details on the inputs to the valuations which result in a level of material uncertainty. This is reported as a disclosure misstatement in page 43.</p>	<p>We consider the estimate is unlikely to be materially misstated and assumptions are neither optimistic or cautious.</p>

Other findings – key judgements and estimates

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Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment
Valuation of council dwellings £1,246m at 31 March 2025	<p>The Council owns 19,337 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.</p> <p>20% of the housing stock is subject to a full revaluation each financial year. The remaining 80% is indexed under a desktop valuation methodology.</p> <p>The Council has engaged Wilks Head and Eve LLP to complete the valuation of these properties. The year end valuation of Council Housing was £1,246m, a net increase of £29m from 2023/24 (£1,217m).</p>	<p>We have reviewed the indices applied against appropriate market data obtained by the audit team independently. This identified a difference of £2.1m 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.</p> <p>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 they are accurately recorded in the listing, and the most appropriate beacon/archetype has been applied. We have also reconciled the closing number of properties to the prior year audited value, and substantively tested disposals of Dwellings in year.</p> <p>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council.</p>	<p>We consider the estimate is unlikely to be materially misstated and assumptions are neither optimistic or cautious.</p>

Other findings – key judgements and estimates

Key judgement or estimate	Summary of management’s approach	Auditor commentary	Assessment																								
<p>Valuation of net pension liability funded scheme - £0m at 31 March 2025</p> <p>Unfunded scheme - £30.2m at 31 March 2025</p> <p>IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the Balance Sheet as an asset and whether any additional liabilities are required in respect of onerous funding commitments.</p> <p>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.</p>	<p>The Authority’s total net pension liability at 31 March 2025 is £30.2m (PY £34.4m) comprising the Leicestershire Local Government and unfunded defined benefit pension scheme obligations.</p> <p>The Authority uses Hymans Robertson to provide actuarial valuations of the Authority’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.</p> <p>The latest full actuarial valuation was completed in 2022. Given the significant value of the gross pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £18m net actuarial loss during 2024/25, after taking into account the asset ceiling adjustment.</p>	<ul style="list-style-type: none"> We have no concerns over the competence, capabilities and objectivity of the actuary used by the group. No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. 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. 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 Pension Fund valuation as it applies to Leicester City Council. <table> <tr> <th>Assumption</th><th>Actuary value</th><th>PwC range/conclusion</th><th>Assessment</th></tr> <tr> <td>Discount rate</td><td>5.8%</td><td>5.8% - 5.85%</td><td>Reasonable</td></tr> <tr> <td>Pension increase rate</td><td>2.75%</td><td>2.7% - 2.8%</td><td>Reasonable</td></tr> <tr> <td>Salary growth</td><td>3.25%</td><td>2.75% - 3.75%</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>21.4 / 20.6 years</td><td>Actuary approach is reasonable</td><td>Reasonable</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>25.1 / 23.6 years</td><td>Actuary approach is reasonable</td><td>Reasonable</td></tr> </table>	Assumption	Actuary value	PwC range/conclusion	Assessment	Discount rate	5.8%	5.8% - 5.85%	Reasonable	Pension increase rate	2.75%	2.7% - 2.8%	Reasonable	Salary growth	3.25%	2.75% - 3.75%	Reasonable	Life expectancy – Males currently aged 45/65	21.4 / 20.6 years	Actuary approach is reasonable	Reasonable	Life expectancy – Females currently aged 45/65	25.1 / 23.6 years	Actuary approach is reasonable	Reasonable	<p>We consider the estimate is unlikely to be materially misstated and assumptions are neither optimistic or cautious.</p>
Assumption	Actuary value	PwC range/conclusion	Assessment																								
Discount rate	5.8%	5.8% - 5.85%	Reasonable																								
Pension increase rate	2.75%	2.7% - 2.8%	Reasonable																								
Salary growth	3.25%	2.75% - 3.75%	Reasonable																								
Life expectancy – Males currently aged 45/65	21.4 / 20.6 years	Actuary approach is reasonable	Reasonable																								
Life expectancy – Females currently aged 45/65	25.1 / 23.6 years	Actuary approach is reasonable	Reasonable																								

Other findings – Information Technology

This section provides an overview of results from our assessment of the Information Technology (IT) environment and controls therein which included identifying risks from IT related business process controls relevant to the financial audit. This table below includes an overall IT General Control (ITGC) rating per IT application and details of the ratings assigned to individual control areas.

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IT application	Level of assessment performed	Overall ITGC rating	ITGC control area rating			Related significant risks/other risks
			Security management	Technology acquisition, development and maintenance*	Technology infrastructure	
Unit 4	Detailed ITGC assessment (design effectiveness only)	<div><div></div></div> Amber	<div><div></div></div> Amber	<div><div></div></div> Amber	<div><div></div></div> Amber	No significant deficiencies identified. See non-significant findings reported in page 57.
Active Directory	Detailed ITGC assessment (design effectiveness only)	<div><div></div></div> Amber	<div><div></div></div> Amber	N/A	N/A	

*Insufficient evidence was provided for the Grant Thornton IT Audit Team to assess the controls in relation to change management as we noted that a third-party vendor G7 is responsible for developing and implementing changes / patches for the Unit4 application as part of the software maintenance and support services. As G7 are responsible for maintaining Unit4 application, we were unable to verify the segregation of duties between developers and implementers within Unit4. This did not impact our audit approach.

Assessment:

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

Communication requirements and other responsibilities

Other communication requirements

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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 Corporate Investigations Team. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed. 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	We draw your attention to the draft Letter of Representation which is presented alongside this report.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Authority’s banking and treasury partners. This permission was granted and the requests were sent. The requests were returned with positive confirmation.
Disclosures	Our review found no material omissions in the financial statements
Significant difficulties	In our Headlines of this report, we have reported delays to the completion of the audit due to the Council’s draft accounts not accounting for the implementation of IFRS 16, which came into effect 1 April 2024. We have also identified a number of errors in our testing that have resulted in additional work to gain appropriate assurance. This has resulted in fee variations, on page 64.

Other responsibilities

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2024). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> • 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 Authority’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. The findings of our value for money work have been considered and are not deemed to impact the anticipated continuation of the provision of a service in the future. <p>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 Authority meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> • the nature of the Authority and the environment in which it operates • the Authority’s financial reporting framework • the Authority’s system of internal control for identifying events or conditions relevant to going concern • management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> • a material uncertainty related to going concern has not been identified; and • management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Other responsibilities

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Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements, including the Annual Governance Statement, Narrative Report, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none">• 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. <p>We have reported a significant weakness in arrangements to secure value for money. The Auditor’s Annual report is presented alongside this report.</p>

Other responsibilities

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Issue	Commentary
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Note that work is not required as the Authority do not exceed the threshold, however 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 2025.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2024/25 audit in the audit report, until confirmation has been received from the NAO that the group audit (Whole of Government Accounts) has been certified by the C&AG and therefore no further work is required to be undertaken in order to discharge the auditor’s duties in relation to consolidation returns under paragraph 2.11 of the Code.</p>

Audit adjustments

Audit adjustments

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

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below, along with the impact on the key statements.

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on general fund
	£'000	£'000	£'000
<u>Pooled budgets income and expenditure</u>	Income 5,640		
<div>48</div> <p>We challenged management to demonstrate that the income and expenditure disclosed in Note 30 Pooled Budgets had been correctly accounted for within the CIES.</p> <p>We identified £5.6m of income and £5.6m of expenditure recognised in the CIES that should not have been recognised under IFRS 11, as it was spend incurred on behalf of the Pooled budget and therefore should have been excluded from the financial statements. Management intended to remove the transactions from the financial statements but the intended correction was duplicated, therefore negating the impact.</p> <p>This error was also identified in the prior year, which is linked to our recommendation on page 52.</p>	Expenditure (5,640)		
Continued overleaf...			

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on general fund
	£'000	£'000	£'000
<u>OLB and Surplus revaluations</u>			
We identified a number of errors through the course of our substantive testing which are outlined in detail on pages XXX. This includes:			
49	- differences identified between the valuation report and the draft financial statements of £56m, including a £49.2m overstatement because Crown Hills Community College is duplicated on the Fixed Asset register.	PPE (55,989)	
	- Ashton green phases reclassified to Assets Held for Sale	PPE (26,740)	
	- application of a regional indices applied to assets valued on a desktop basis.	PPE (2,116)	
	- inappropriate revaluation of an AUC asset, Hospital Close, an AUC to be held at historic cost.	PPE 3,212	
	- incorrect capital accounting for plant components in leisure centres.	PPE (19,075)	
	- errors identified during our detailed testing in relation to key inputs such as obsolescence, land values, rental income, yields and GIA	PPE (63,623)	
	- with a corresponding impact on the CIES and Revaluation reserve	PPE £164,331	

Continued overleaf...

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000
<p><u>Assets under construction</u></p> <p>We identified two assets that were ready for use before year end and therefore inappropriately classified as assets under construction. The two assets should be classified in other land and buildings, and we challenged management to demonstrate that the current value would not be materially different to the carrying value (at historic cost).</p> <p>- Management identified that Former Netherhall Special School (Elmsbrook) had already been revalued within other land and buildings and is therefore double counted in the balance sheet. Therefore PPE is overstated by £6.5m.</p> <p>- Management instructed the valuer to revalue the remaining asset, Dock 3-5, which we have audited and gained assurance that the revised valuation of £13.1m is a reasonable estimate. Within Note 15, the carrying value of the asset £15.9m in AUC should be transferred to other land and buildings and then valued at £13.1m. The new valuation means that PPE is overstated by £2.7m with a corresponding revaluation decrease charged to the CIES.</p> <p>This links to our recommendation on page 51</p>	<p>Expenditure 2,714</p>	<p>PPE (6,464) Reval reserve (6,464)</p> <p>PPE (2,714)</p>	
Continued overleaf...			

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement	Balance Sheet	Impact on general fund
	£'000	£'000	£'000
<u>Assets Held for Sale (AHfS)</u> Manor Farm - Farm House has been double counted on the Balance sheet because it is classified in Surplus assets and AHfS. AHfS are overstated by £1.9m. This error was also identified in the prior year, which is linked to our recommendation on page 52.		AHFS (1,914)	
		Revaluation reserve 1,914	
51 <u>Assets Held for Sale (AHfS)</u> The Code (ref 4.9.2.22) states that a gain on revaluation in AHfS cannot be in excess of the cumulative revaluation loss previously recognised in the CIES. Management have incorrectly processed revaluation increases to the revaluation reserve in year. AHfS are overstated by £2.8m with a corresponding adjustment to the revaluation reserve.		AHFS (2,772)	
		Revaluation reserve 2,772	
<u>Heritage assets</u> Heritage assets are overstated by £1.3m because the valuation was not updated on the fixed asset register.	Expenditure 1,336	Heritage assets 1,336	
<u>Debtors and receipts in advance</u> Leaseholder service charges for 2025/26 of £2.549m were identified as being held both as a debtor and a receipt in advance (liability). We challenged this treatment on account that cash had not been received and as it related to 2025/26 it should not be a debtor.		Debtors (2,549)	
		Creditors 2,549	
Continued overleaf...			

Audit adjustments

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000
<u>Post Balance Sheet events</u> <p>The draft accounts (Note 43) contained a contingent liability for a claim lodged with HM Courts and Tribunal Service by Biffa Group Holdings (UK) Limited and group companies.</p> <p>The case has been settled after year end and is an adjusting event under IAS10, because it is evidence that the entity had a present obligation at the end of the reporting period that can now be reliably estimated. The impact is that the settlement of £10m should be recorded as a provision expense at 31st March 2025.</p>	Expenditure 10,000	Provisions (10,000)	10,000
<u>Investments treated as capital</u> <p>At 31st March 2025, £4.5m of Pooled Property investments are treated as capital, which means that any associated adjustments impact capital reserves, as opposed to usable reserves. These investments are not correct to capital because The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 determines that only investments that relate to the acquisition of share capital in any body corporate can be treated as capital. The Council's usable reserves are understated by £4.5m, and unusable reserves (Capital adjustment account) are overstated by the same amount.</p> <p>We have raised a separate disclosure misstatement regarding the treatment of fair value losses on page 41.</p>		Usable reserves (4,548) Unusable reserves 4,548	(4,548)
Overall impact	14,050	(20,514)	5,452

Audit adjustments

Misclassification and disclosure changes

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

Disclosure	Misclassification or change identified	Adjusted?
Balance sheet	The unfunded pensions liability is material, recognised at £30.185m in Note 42, and should be presented separately from 'Other Long Term Liabilities' on the Balance Sheet.	✓
Balance Sheet	<p>As per the previous page, £4.5m of Pooled Property investments are treated as capital, which means that any associated adjustments impact capital reserves, as opposed to usable reserves. Any fair value movements in these investments since 2018/19 have been charged to the Capital Adjustment account. However, there is a statutory override in place where Local authorities in England are required to reverse out all unrealised fair value movements resulting from pooled investment funds, to pooled investment adjustment account, for the period 1 April 2018 through to 31 March 2025. We have determined that £1.612m of cumulative fair value losses since 31st March 2019 should be recorded in a Pooled investment adjustment account, and not the Capital Adjustment account.</p> <p>We are satisfied that there is no impact on the General fund, because this represents a disclosure misstatement between unusable reserves.</p>	
Movement in Reserves Statement	A prior year comparator should be included to ensure compliance with IAS1.	✓
Note 1.11	An accounting policy will be added for the for componentisation of PPE assets.	✓
Note 1.12	The accounting policy for PFI schemes needs updating to reflect the impact of IFRS16 and includes outdated accounting considerations.	✓
Note 3	<p>Regarding the changes to the measurement of non-investment assets within the 2025/26 Code, it is more appropriate to state that the impact is currently unknown or not reasonably estimable due to the nature and timing of the valuation process.</p> <p>Also, the disclosure of Amendments to IAS 12 International Tax Reform: Pillar Two Model Rules is inappropriate because the standard has been adopted by the 2024/25 CIPFA Code.</p>	✓

Audit adjustments

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Disclosure	Misclassification or change identified	Adjusted?
Note 4	The Note discloses Going Concern as critical judgement. In our view, this does not represent a critical judgement in with IAS1 and is an accounting policy. Under Practice Note 10, there is limited judgements involved.	X
Note 5	<p>The Note includes uncertainties that are immaterial and therefore should not be disclosed under IAS1.</p> <p>To comply with IAS 1, the narrative on PPE and Fair Value Measurements should include details on the inputs to the valuations which result in a level of material uncertainty.</p> <p>The narrative on the Net Pension Liability does not explain what the asset ceiling adjustment is and the impact this has on estimation uncertainty.</p>	✓
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 error was also identified in the prior year, which is linked to our recommendation on page 52.	✓
Note 10	The prior year comparator has missing lines compared to the prior year audited accounts, resulting in incorrect calculations.	✓
Note 11	<p>In our testing of the gain/losses on the disposal of non-current assets, we identified that a £2.1m redemption of a short term investment has been recorded inappropriately as a capital receipt. To ensure the short-term investments value on the balance sheet was not overstated, management posted an accompanying loss on the fair value on financial assets by the same amount.</p> <p>The impact is that losses on the disposal of non-current assets (Note 11) are understated by £2.1m, and Financing and Investment Income & Expenditure (Note 12) is overstated by the same amount. This is a classification misstatement and has no impact on the General Fund.</p>	X
Continued overleaf...		

Audit adjustments

Disclosure	Misclassification or change identified	Adjusted?
Note 11	<p>We have identified two classification misstatements:</p> <ul style="list-style-type: none"> - £8.48m 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. - £1.37m 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. <p>These misstatements have no impact on the General fund. This error was also identified in the prior year, which is linked to our recommendation on page 52.</p>	X
55 Note 15 - Movement on Balances	The gross values of PPE reclassified to and from Assets Held for Sale is incorrect due to a formula error. The gross values should be nil.	✓
Note 15 - Capital Commitments	<p>We identified a material misstatement in the disclosure of capital contractual commitments:</p> <ul style="list-style-type: none"> • Hospital Close - Phase 2 commitment should be disclosed at £23m. The draft accounts incorrectly included costs for the Phase 1 contract and did not include the value of an additional contract for the scheme. • We challenged management to identify similar issues in the disclosure and they identified a previously undisclosed commitment of £11m for Southfields / Newry New Build. <p>The Note current discloses a single period when the contract is due which could be misleading as the commitments cover multiple years. The note, including the prior period disclosure, will be updated to Note is more understandable to the reader of the accounts.</p>	✓
Continued overleaf...		

Audit adjustments

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Disclosure	Misclassification or change identified	Adjusted?
Note 15 - Revaluations	The revaluation timings note does not reconcile to the PPE note, because it does not include Infrastructure assets where the temporary relief has not been applied.	✓
Note 18a	<p>We identified a material misstatement in relation to the disclosure of financial assets and liabilities:</p> <ul style="list-style-type: none"> • Short term debtors are overstated by £19.5m because housing benefit overpayment debtors £2.7m and prepayments £0.4m are recorded as financial assets. We do not deem it appropriate to present these debtors as financial assets, in line with the CIPFA code. Housing benefit overpayment debtors are non-contractual statutory debts, and they don't arise from an exchange of services or assets. This error was also identified in the prior year, which is linked to our recommendation on page 52. Also, the Note excluded the impairment of bad debt £-16.4m, so the financial assets are incorrectly not shown at amortised cost. • Short term creditors are understated by £-62.2m because £-60.1m of creditor codes that are financial liabilities have been inappropriately excluded. Also there are £2.7m debtor codes and £-0.6m of borrowings misclassified as short term creditors in Note 18a • Short term PFI liabilities are understated by £-1.4m. <p>Furthermore, the disclosure of financial instruments does not provide sufficient information to permit reconciliation to the line items presented in the statement of financial position (IFRS 7: 6). The disclosure should include a line that outlines items not classified as financial instrument, to reconcile to the Balance sheet.</p>	✓
Note 18d	<p>The disclosure reports “investments in commercial institutions (banks and building societies) of £47m”, where as the value of Money Market Funds at 31st March 2025 is £21.8m.</p> <p>Within the narrative, the expected credit loss value is incorrectly disclosed at £20.5m, because the value of expected credit losses are £15.6m.</p> <p>The Council no longer has LOBOs at 31 March 2025, therefore the narrative on LOBOs will be removed.</p>	✓
Continued overleaf...		

Audit adjustments

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Disclosure	Misclassification or change identified	Adjusted?
Note 27	<p>In the testing of this disclosure, we identified that:</p> <ul style="list-style-type: none"> £1.248m of revaluation charges classified as 'Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised', should be classified within 'Downward revaluations, impairment losses and reversal of prior year impairments'. The disclosure of interest paid is misstated due to a typo, however the figure intended to disclose pensions interest which is a notional accounting charge and is not paid in cash. The correct figure is £15.5m, which reflects actual cash paid in year. This also impacts the prior year disclosure; however, the impact is immaterial. 	✓
Note 30	The total expenditure met from the pooled budget is not disclosed for the Supply of Integrated Community Equipment Loan Services (ICELS).	✓
Note 32	The Accounts and Audit Regulations 2015 requires that those whose salary is £150k or more need to be identified by name. We have identified three employees that earn over £150k that are not identified by name.	✓
Note 33	<p>Fees payable for the certification of grant claims and returns for the year are misclassified in the Note. The value should be £85k, and fees payable in respect of other services provided during the year should be nil.</p> <p>Prior year comparator has been labelled as 'restated'. Management confirmed they have updated the prior year figure for the fee variation agreed for 23/24. The entity has chosen to correct an immaterial prior period error by restating the previously reported results and this is not required and is unnecessary under IAS 8</p>	✓
Note 35	<p>In the testing of Revenue Grants, we identified that the Social Services Support Grant of £36.7m has been misclassified in the CIES. Given that the Social Care Grant is ringfenced for adult and children's social care, it should have been treated as a specific grant credited to services, rather than as an un-ringfenced grant.</p> <p>This also has a material impact on the prior year comparators, and a prior period adjustment is required.</p>	✓
Continued overleaf...		

Audit adjustments

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Disclosure	Misclassification or change identified	Adjusted?
Note 35	<p>In the testing of Capital Grants, we identified that:</p> <ul style="list-style-type: none"> Code 2.3.2.10-11 requires general un-ringfenced and capital grants to be reported as part of 'Taxation and non-specific grant income'. We selected the Levelling Up Fund capital grant for testing and identified £3.6m incorrectly credited to cost of services. As this is capital, the full amount of £5.2m should be recorded against Taxation & Non-specific Grant Income. TDFE Basic Need Grant £2.2m is inconsistently disclosed in the current year compared to the prior year comparative, because it is amalgamated within 'Other Dft Grants'. There are three negative balances reported in the draft Note 35 which were incorrectly included due to a formula error. Capital grant income credited to cost of services is overstated by £9.5m, and non-specific grant income is understated by the same amount. The impact nets to nil on the CIES. 	✓
Note 36	<p>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 wish to over disclose for transparency, and we do not deem this to materially mislead the user of the accounts, we have raised as a disclosure misstatement.</p> <p>Additionally, the Council includes the LLEP as a related party. Given that the LLEP demised as of 1st April 2024, there is no related party relationship and should be not be disclosed.</p>	✓
Note 42	The Note does not agree to the actuary report provided in June 2025. Management based the accounts on a previous version of the actuary report issued in April, which had been superseded.	✓
Note 42	In June 2023, the High Court handed down a decision in the case of Virgin Media Limited v NTL Pension Trustees II Limited and others relating to the validity of certain historical pension changes. While there is consideration of the position across the LGPS it is expected that employers include proportionate narrative disclosures in the notes to the accounts, given the estimated impact is uncertain.	✓
Continued overleaf...		

Audit adjustments

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Disclosure	Misclassification or change identified	Adjusted?
Note 42	<p>The auditor of Leicestershire Pension Fund communicated the following findings with regards to Leicester City Council:</p> <ul style="list-style-type: none"> The data submitted to the actuary by the pension fund reported benefits paid of £70.3m. The actuary estimated the benefits paid figure at £61m, resulting in a difference of £9.3m. 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. When comparing the data submitted by the Pension Fund to the actuary, to the Pension fund financial statements published at a later date, they identified a misstatement in the data used by the actuary. Apportioning this for the Council's share of assets indicates that assets have been understated by £2.3m. Due to the asset ceiling adjustment, this adjustment does not impact the primary statements and is instead a disclosure misstatement within Note 42. When comparing the Fund's investment asset listing to audit evidence, they identified a misstatement in the data used by the actuary. Apportioning this for the Council's share of assets indicates that assets have been overstated by £1.6m. Due to the asset ceiling adjustment, this adjustment does not impact the primary statements and is instead a disclosure misstatement within Note 42. 	✓
Note 43	The note will be updated to reflect the settlement of the Biffa claim, this is no longer deemed to be a contingent liability.	✓
Narrative statement	Information presented on the demise of the LLEP includes financial information as at 31 st March 2024, and needs to be updated for 31 st March 2025.	✓
Annual Governance Statement	There is a lack of clarity regarding which issues are from the prior year, which are new, and whether previously reported issues remain unresolved. The Statement could be improved by more clearly addressing the issues outlined in our Annual Auditor's Report.	✓
Throughout	A number of narrative amendments and formatting issues have been identified throughout the financial statements.	✓
Throughout	A number of immaterial disclosures have been included in the financial statements. These should be removed to avoid obscuring material information within the financial statements.	X

Audit adjustments

Impact of unadjusted misstatements

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

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Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000
Schools' cash balances	3,578	(3,578)	3,578
Overstatement of cash balances as February balances were not updated to reflect March balances.			
We deem this to be a deficiency and have raised a recommendation in page 59.			
This error was also identified in the prior year, which is linked to our recommendation on page 52.			
Overall impact of current year unadjusted misstatements	3,578	(3,578)	3,578

Impact of unadjusted misstatements in the prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023/24, and which have a resulting impact upon the 2024/25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024/25 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	Balance Sheet	Impact on general fund	Reason for not adjusting
	£'000	£'000	£'000	
PPE revaluations - indexation		PPE (2,537)		Not considered to be material.
6.1 We identified that the valuer had not applied an indices to land assets where the land is notionally apportioned out for accounting purposes. For these assets we would deem it appropriate to also apply the building index to the land element, as ultimately that value is derived from the building value. This had resulted in OLB and OLB and Surplus asset closing balances being overstated by £3.416m, which was reported in our 2023/24 Audit Findings Report.		Revaluation reserve 2,537		
To assess the impact on the current year financial statements, we obtained the assets on which this error applied to on and identified the relevant the assets not subject to full revaluation in 2024/25 to which this impact would still apply to. This has reduced the impact on 2024/25 closing PPE balances to an overstatement of £2.5m				
Overall impact of prior year unadjusted misstatements	0	0	0	0
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	0	0	0	0

Action plan

We set out here our recommendations for the Authority which we have identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
<div>●</div> <div>High</div>	<p>Lack of quality control in capital accounting</p> <p>A material error has been identified by the audit team because a reconciliation between the accounts and the valuation report was not completed by management.</p> <p>Also, this is the second year we have identified a material error in the treatment of capital adjustments in the Expenditure and Funding Analysis (Note 9).</p> <p>This demonstrates that capital accounting is not subject to appropriate levels of quality review and controls to ensure accurate reporting.</p>	<p>We have noted that there have been improvement in the process compared to the prior year, however, there are some issues we continue which are noted below;</p> <ul style="list-style-type: none">– There should be a clear reconciliation between the valuation report and the accounts, and any differences should be investigated and resolved.– Management ensure that capital accounting in the closedown period is subject to appropriate quality reviews before the draft accounts are published.– Adjustments in the Expenditure and Funding analysis note should be checked to the requirements of the Code. <p>Management response</p> <p>We have made significant improvement in our capital accounting processes and controls, however we recognised this is an area in which we need to continue to improve.</p>

Key

- High – Significant effect on control system and/or financial statements
- Medium – Limited impact on control system and/or financial statements
- Low – Best practice for control systems and financial statements

Action plan

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Assessment	Issue and risk	Recommendations
<div> <div>●</div> <div>High</div> </div>	<p>Reoccurring errors in the financial statements</p> <p>We identified several instances of adjusted misstatements reported in the prior year, that were identified as misstatements in the current year draft financial statements.</p> <p>This adds complexity to the financial statements, and time to the audit process, that could be avoided.</p> <p>With statutory reporting deadlines due to come forward significantly over the coming years, it will become increasingly critical for the Council to strengthen the accounts preparation process, reduce the level of errors presented for audit, and ensure that sufficient resources are available to support delivery of the audit within agreed timescales.</p>	<p>The draft accounts should be checked against prior year audit findings to ensure that misstatements previously reported have been considered when preparing the current year draft financial statements.</p> <p>Management response</p> <p>The Council has struggled with resourcing in the Corporate Accountancy team but have put additional resources in and controls for 2025/26 recognising this issue.</p>
<div> <div>●</div> <div>Medium</div> </div>	<p>Debtor and Creditor reconciliations</p> <p>Management were unable to provide a listing of homogenous debtors and creditors at year end, that reconciled to the financial statements.</p> <p>The listings provided to us for sampling included amalgamated brought forward balances from prior periods, that management were unable to obtain further information for.</p> <p>We amended our approach to ensure the risk of material misstatement is mitigated by our testing. However, we deem it to be a deficiency that management could not produce cleansed data of homogenous debtors and creditors which supports the value in the trial balance and financial statements.</p>	<p>Management ensure that rolled forward balances from prior periods can be analysed at transactional level. This is an audit requirement, but it is also a key control so that management can effectively monitor the Council’s historic assets and liabilities.</p> <p>Management response</p> <p>This process will be reviewed, and improvements made for 25/26</p>

Action plan

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Assessment	Issue and risk	Recommendations
<div>●</div> <div>Medium</div>	<p>Lack of action over reconciling items in the bank reconciliation</p> <p>We identified receipts recognised in the ledger, not matched to income in the bank account, that were not resolved in a timely basis as part of the bank reconciliation process. We also identified uncleared cheques that had not cleared since 2022.</p> <p>This represents a deficiency that the bank reconciliation process is not designed effectively. As part of the bank reconciliation, reconciling items should be reviewed to confirm if they are genuine reconciling items and cleared on a timely basis.</p>	<p>Management ensure that appropriate action is taken for reconciling items in the bank reconciliation on a timely basis.</p> <p>Management response</p> <p>This process is continuing to be reviewed, and improvements to be made for 25/26 , currently corrected in 2025/26</p>
<div>●</div> <div>Low</div>	<p>Management expert output not reviewed</p> <p>Management engage with an actuary to produce the IAS19 calculation.</p> <p>We noted that management did not undertake a review of the actuary’s assumptions used in the IAS19 report before publishing the draft accounts.</p>	<p>Management should ensure that the assumptions used by the actuary are reviewed in a timely manner, to mitigate the risk that assumptions and methods are inappropriate.</p> <p>Management response</p> <p>This process is continuing to be reviewed, and improvements to be made for 25/26</p>

Follow up of prior year recommendations

We identified the following issues in the audit of the Authority’s 2023/24 financial statements, which resulted in 11 recommendations being reported in our 2023/24 Audit Findings Report. We have followed up on the implementation of our recommendations and note eight are still to be completed.

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Completeness of income and expenditure</p> <p>We identified a number of items through our audit procedures that have not been accrued for appropriately within the 2023/24 financial year.</p> <p>There is scope for larger errors to arise due to the accruals concept not being applied appropriately. We recommended 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.</p>	<p>Through testing of the completeness of Debtors and Creditors, we identified items that have not been accrued for appropriately within the 2024/25 financial year.</p> <p>Whilst we have gained assurance there is not a risk of material misstatement, we will roll forward our recommendation that management should look to improve processes around identifying goods and services that have been provided or received, to ensure that they are accrued for appropriately.</p> <p>Finance personnel responsible for accruals should be reminded of their responsibilities in this area.</p>

Assessment

- ✓ Action completed
- X Not yet addressed

Follow up of prior year recommendations

66

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Accounting treatment of capital expenditure not adding value</p> <p>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.</p> <p>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. There is a risk that if this treatment occurs in future years there may be cumulatively material misstatements. We recommend that management review their process to account for capital expenditure not adding value, in order to bring the treatment in line with accounting standards.</p>	<p>We note that the capital expenditure not deemed to be adding value in the Fixed Asset Register is immaterial in the 2024/25 financial statements, therefore no detailed work has been performed to assess the impact on reserves.</p> <p>However, the value is £2.213m and is above our trivial threshold. Therefore, we deem it appropriate to roll forward our recommendation that management review their process to account for capital expenditure not adding value, to bring the treatment in line with accounting standards.</p>
✓	<p>Collection fund suspense accounts</p> <p>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.</p>	<p>We note that this value is trivial in the 2024/25 financial statements, so we deem this recommendation to be addressed.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
67	<p>X</p> <p>Register of interests</p> <p>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.</p> <p>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.</p>	<p>Within our testing of the completeness of related party transaction disclosures, we identified an interest on Companies House that was not disclosed in the 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.</p> <p>We will roll forward our recommendation that management should introduce their own completeness checks to ensure all appropriate bodies are considered for disclosure when preparing the accounts.</p>
	<p>X</p> <p>Revaluation programme</p> <p>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.</p>	<p>Based on our review of Note 15 and the Fixed Asset register, we identified assets that have been last valued longer than a period of five years. Therefore, this recommendation has not been addressed.</p>

Follow up of prior year recommendations

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
<div>X</div>	<p>IT general control findings</p> <p>Our audit team identified four deficiencies during their work on the design and implementation of IT general controls. We recommended that:</p> <p>1.) Council should undertake a review of all user accounts on the database to identify all generic accounts. For each account identified Council should confirm the requirement for the account to be active and be assigned privileged access, which users have access, and controls in place to safeguard the account from misuse.</p> <p>2.) Council should ensure that end users only have one privileged account per application. This privileged account should be in the user’s name rather than a generic name.</p> <p>3.) For future changes to batch job processing schedules, management should ensure that the review and approval of key change management decisions are adequately recorded prior to implementation.</p> <p>4.) Management should document the user acceptance testing performed for change implementation, and that appropriate evidence should be retained to evidence sufficient testing being completed before implementation into the production environment.</p>	<p>1.) While reviewing the database accounts within Unit4, it was noted there were no controls in place to actively monitor the usage of a generic database administrator account – ‘sa’ within Unit4. We recommend that security event logs should be reviewed formally with sign off on a regular basis by an IT security personnel / Manager who are independent of those administrating the applications and its underlying database. Any issues identified within these logs should be investigated and mitigating controls implemented to reduce the risk of reoccurrence.</p> <p>2.) During the review it was noted that the Council has now removed two duplicate accounts assigned to a single person within the Active Directory group ‘Account Operators’ and now a single account is account to the concerned user.</p> <p>However, it was observed that administrative access in Active Directory was granted to two users who were senior members of IT Team and it was determined that they are not required to have administrative access due to their managerial responsibilities.</p> <p>Where management is unable to fully segregate access for operational reasons, alternative options to mitigate the risk could include performing a review of change implementation activity logs and privileged user activity performed by senior members of IT. These should be regularly reviewed for appropriateness by an independent individual with evidence retained.</p> <p>The following recommendations have been rolled forward in full:</p> <p>3.) For future changes to batch job processing schedules, management should ensure that the review and approval of key change management decisions are adequately recorded prior to implementation.</p> <p>4.) Management should document the user acceptance testing performed for change implementation, and that appropriate evidence should be retained to evidence sufficient testing being completed before implementation into the production environment.</p>

Follow up of prior year recommendations

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Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	<p>Valuation process of other land and buildings</p> <p>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.</p> <p>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. This is a recommendation rolled forward from 2020/21.</p>	<p>We note that there has been an improvement with regards to how timely we have been provided with evidence to support the valuations.</p> <p>However, we continue to identify material adjustments required to the valuations of other land and buildings, and surplus assets. This is outlined on pages 17 to 19.</p> <p>We continue to recommend that rationale behind judgements and assumptions applied is subject to quality control reviews by experienced valuers to mitigate the risk of material errors in the financial statements.</p>
✓	<p>Grants income</p> <p>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. 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.</p>	<p>We did not identify any instances of Grant income being double counted, so we deem this recommendation to be addressed.</p>

Follow up of prior year recommendations

70 X

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
X	Journals process 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. This represents a control deficiency which the Council is willing to tolerate but which we will take consideration of in our approach by increasing the number of journals selected for review.	<p>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.</p> <p>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.</p>
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.	<p>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 £3.578m, which has been reported in page 49.</p>
✓	Capital Additions - Goods Received Not Invoiced We recommended management ensure that capital accruals are reviewed to ensure that they are being based on actual goods/services received.	<p>We did not identify any instances of capital additions being overstated due to capital accruals not being based on actual goods/services received.</p>

Value for Money arrangements

Value for Money arrangements

Approach to Value for Money work for the year ended 31 March 2025

The National Audit Office issued its latest Value for Money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, The Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30th November each year from 2024-25. Our AAR accompanies this audit findings report as a separate item.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

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Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.



Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.



Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have identified significant weaknesses in arrangements. Our AAR accompanies this audit findings report as a separate item.

Independence considerations

Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers). In this context, we disclose the following to you:

There are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
74 Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Authority or 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 Authority or 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 Authority.
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 Authority, 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.

Fees and non-audit services

The following tables below sets out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 28 January 2026, and future fees expected in relation to this financial year, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Authority's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis. For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to Leicester City Council. The table summarises all non-audit services which were identified, as well as the threats and safeguards that have been applied to mitigate the perceived self-interest, self-review and management threat from these fees.

Audit fees		£
75	Audit of Authority	425,513
	Additional fee due to delays in receiving working papers for IFRS16 and PFI liabilities which has required additional audit resource *	15,000
	Additional fee due to additional work in the areas of: expenditure completeness, income completeness, creditors, PPE valuations and school cash *	6,000
	Total	446,513

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

Fees and non-audit services

Audit-related non-audit services

Service	2022/23 £	2023/24 £	2024/25 £	Threats Identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	138,975 (final)	84,255 (estimate)	95,000 (estimate)	Self-Interest (because this is a recurring fee) Self review (because GT provides audit services) Management threat	The level of these recurring fees taken on its own individually, and cumulatively, is not considered a significant threat to independence as the fee for this work is £373,230 (spanning three financial years) in comparison to the total fee for the 24/25 audit of £446,513 (23/24 audit £418,997, and 22/23 audit £189,947) 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 Pooling of Housing Capital Receipts claim	10,000	10,000	10,000		
Certification of Teachers Pension Return	-	12,500	12,500		
Total			£373,230		

This covers all services provided by us and our network to the Authority, its directors and senior management and its affiliates, that may reasonably be thought to bear on our integrity, objectivity or independence.

Fees and non-audit services

Total audit and non-audit fee

(Audit fee) 446,513 – subject to PSAA approval	(Non-audit fee) 373,230
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The fees payable to Grant Thornton do not reconcile to the financial statements. We have provided a reconciliation:

Fees per financial statements:

- External Audit £426,000 (rounded). This aligns to the planned fee.
- Fees payable for the certification of grant claims £62,000 (rounded), includes:
 - 24/25 housing benefit £62,000
- Fees payable for other services £23,000 (rounded), includes:
 - 24/25 teachers pension £12,500; and
 - 24/25 pooling housing capital receipts grant £10,000.

We have raised a disclosure misstatement that fees payable for the certification of grant claims and returns for the year are misclassified in the Note.

Reconciling items (Audit fees):

Proposed additional fees due to extended testing £10,000

Reconciling items (certification of grant claims):

- 22/23 pooling housing capital receipts grant delivered in year - £10,000
- 23/24 pooling housing capital receipts grant delivered in year - £10,000
- 23/24 teachers pension return delivered in year - £12,500
- 22/23 housing benefit work delivered in year - £138,975
- 23/24 housing benefit work which is ongoing - £84,255 (estimate based on work completed to date)
- 24/25 housing benefit work which relates to the financial year in question - £33,000 difference between the Council’s estimate for the accounts and the revised estimate based on 23/24 work completed to date

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan		Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance		●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks		●	
Confirmation of independence and objectivity		●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence		●	●
67	Significant matters in relation to going concern	●	●
	Views about the qualitative aspects of the Group’s accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
	Significant findings from the audit		●
	Significant matters and issue arising during the audit and written representations that have been sought		●
	Significant difficulties encountered during the audit		●
	Significant deficiencies in internal control identified during the audit		●
	Significant matters arising in connection with related parties		●
	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		●

A. Communication of audit matters with those charged with governance

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

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

Respective responsibilities

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

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

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, as a minimum a requirement exists for our findings to be distributed to all the company directors and those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report, to those charged with governance.



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ANNUAL ACCOUNTS **2024/25**



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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 2024/25.

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 10,000 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 2024/25 the Council faced increased costs, particularly relating to homeless households which had a budget increase of £10.6m. While the final out-turn for the year was a £17m 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 £61m, 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 2025/26 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.

2. 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 2024/25 have been:

- Setting a three year budget strategy;
- Investment in council housing;
- Investment temporary accommodation in the city.
- Investment in Jewry Wall Museum

Narrative Statement

3. Financial Performance

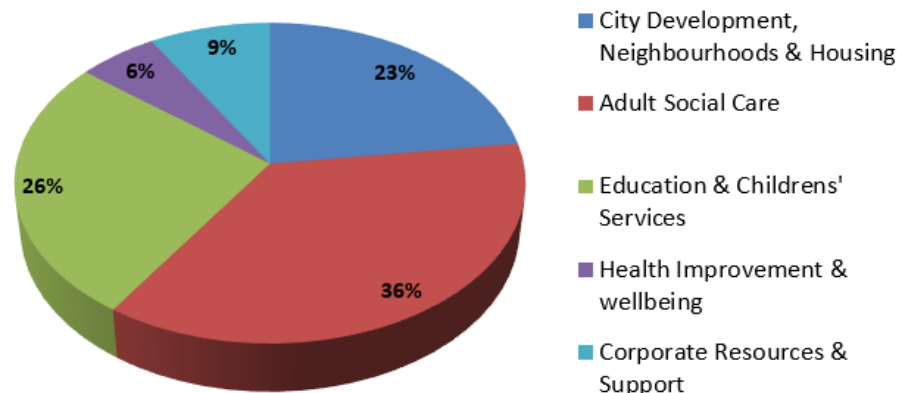
The budget for 2024/25 was set under a difficult financial situation. Following on from severe spending cuts and increasing demand for services that put pressure on spend and on income streams. It is positive to note the Council has managed to remain within its resources for this financial year.

Net expenditure on provision of services was £376m in 2024/25 and £383m in 2023/24. The chart to the right sets out the spend by General Fund service area.

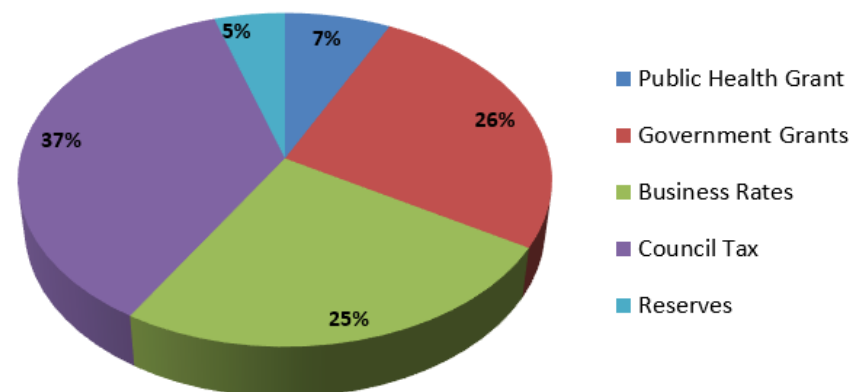
The services above are funded through various resources as demonstrated below.

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.

2024/25 Spend by Category
(General Fund Net Spend)



2024/25 Sources of Funding
(General Fund)

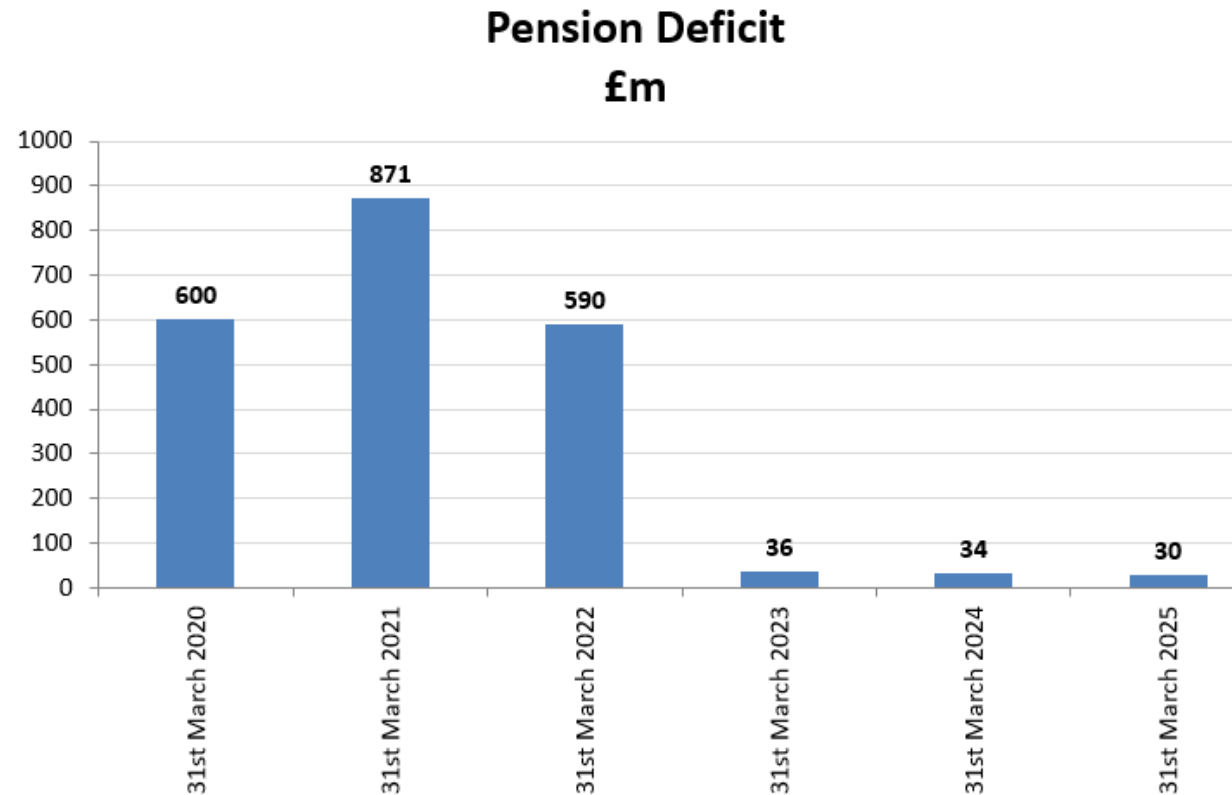


Narrative Statement

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.

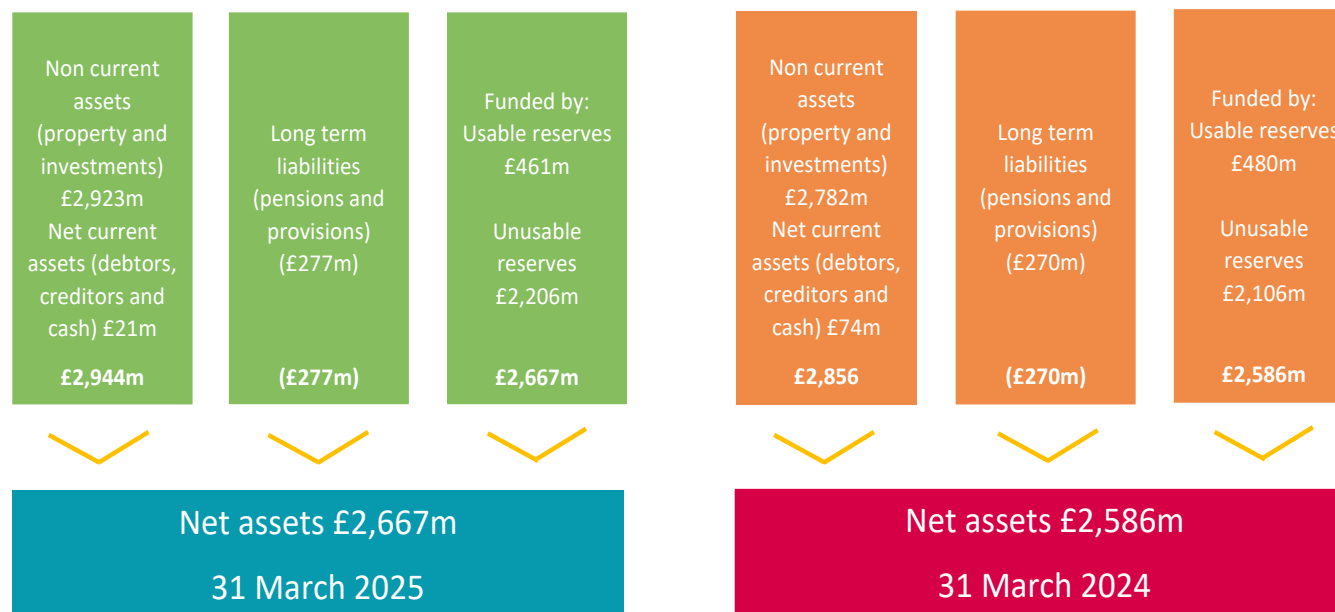
Variations between the years will occur, principally due to changes in assumptions made by the scheme actuaries about the growth of future liabilities and rates of returns on the fund's investments. The graph to the right illustrates the volatility that can occur on a year-by-year basis because of these 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 £30m 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 £2,667m at 31st March 2025 (£2,586m at 31st March 2024).



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 £20m was made in the year, when an interest change was requested.

Cash & Cash equivalents at 31st March 2025 were £69m, which was £22m lower than the previous year, as a result of funding the capital programme without taking new borrowing. Cash balances can vary significantly on a day to day basis 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 Central 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:

- Children's Home Refurbishments
- Levelling up schemes
- Council house improvements
- Additional school places
- Affordable Housing

Capital expenditure of £143m was incurred in 2024/25 compared to £140m in 2023/24. Details of the spending can be seen in the table.

Capital Expenditure 2024/25		
Category	£m	Spending includes;
Planning, Development & Transport	29.4	Connecting Leicester, Leicester Railway Station Levelling Up, Transport Improvement Works, Highways Maintenance
Housing Revenue Account	43.4	Affordable Housing Acquisitions, Council House Improvements; including environment and communal
Schools	14.1	Schools' maintenance, additional Primary, Secondary and Send places, Children's Homes Refurbishments
Tourism, Culture & Inward Investment	10.1	Jewry Wall Museum, Leicester Market Redevelopment, Pilot House Levelling Up & Growth Hub
Estates & Building Services	21.8	Property and Operational Estate Maintenance, Replacement Cladding Phoenix Square, The Curve Remedial Works, Haymarket Theatre Internal Completion Works
Neighbourhood & Environmental Services	1.8	Multi Use Games Areas (MUGAs), Parks Plant and Equipment, Saffron Lane Stadium S106 Improvements, St Margarets Pastures Skate Park
Housing General Fund	17.6	Housing acquisitions, Disabled facilities grant, Vehicle Fleet Replacement Program, Action Homeless Supported Living Scheme
Other	4.7	Public Health schemes and loans to third parties
Total	142.9	

Narrative Statement

4. Governance

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 152) along with the significant risks facing the authority.

5. Looking Ahead

The Council has set a balanced budget for 2025/26, and forecasts to balance for the next three years based on the following actions:

- Savings programme
- Cost Mitigation in areas such as social care
- Funding the capital programme through borrowing.

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.

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 unavoidable overspends, with the cumulative balance on the DSG deficit reserve being £22.2m. Under a "statutory override" available until 2027/28, 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.

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 constrained funding envelope whilst seeing significant demand on services, which is recognised as a national issue. With these pressures the Council 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. Structure of the Statement of Accounts and Core Accounting Statements

The Statement of Accounts sets out the Council's income and expenditure for the year, and its financial position at 31st March 2025. 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 2024/25. 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.

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 2025.

Signed:

Amy Oliver CPFA, Director of Finance & Section 151 Officer

Date:

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 surplus in 2024/25 of £80.6m.

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.

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Restated 2023/24				2024/25		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000		£000	£000	£000
196,441	(86,837)	109,604	City Development & Neighbourhoods	208,626	(103,065)	105,561
93,818	(93,320)	498	Housing Revenue Account (HRA)	84,470	(98,426)	(13,956)
211,844	(89,573)	122,271	Adult Social Care	233,696	(102,510)	131,187
38,383	(41,619)	(3,236)	Health Improvement & Wellbeing	41,993	(45,759)	(3,766)
449,920	(329,204)	120,716	Education & Children's Services	467,501	(349,466)	118,035
56,128	(19,082)	37,047	Corporate Resources & Support	54,121	(19,228)	34,893
73,875	(73,424)	451	Housing Benefits	72,222	(70,826)	1,396
(3,279)	(359)	(3,638)	Corporate Items	3,111	(429)	2,683
-	(517)	(517)	Capital Financing	-	(517)	(517)
1,117,129	(733,935)	383,195	Cost of Services	1,165,738	(790,224)	375,514

Comprehensive Income and Expenditure Statement (continued)

Restated 2023/24				2024/25		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp
£000	£000	£000		Note	£000	£000
		104,684	Other Operating Income and Expenditure	11		(4,773)
		13,323	Financing and Investment Income and Expenditure	12		11,643
		(395,194)	Taxation and Non-Specific Grant Income and Expenditure	13		(349,484)
		106,007	(Surplus) or Deficit on Provision of Services	14		32,900
		98,231	(Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets	26b		(132,857)
		17,997	Remeasurement of the Net Defined Benefit Pension Liability	42		19,283
		116,228	Other Comprehensive Income & Expenditure			(113,574)
		222,235	Total Comprehensive Income & Expenditure			(80,674)

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”).

2024/25		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
31st March 2025 brought forward		(15,000)	(292,654)	(307,654)	(22,715)	-	(124,655)	(25,343)	(480,367)	(2,105,964)	(2,586,331)
Total Comprehensive Expenditure and Income		36,348	-	36,348	(3,449)	-	-	-	32,899	(113,574)	(80,675)
Adjustments between accounting basis & funding basis under regulation	10	(21,274)	-	(21,274)	3,573	(893)	(5,411)	10,866	(13,139)	13,138	(1)
Transfers (from) / to Earmarked Reserves	11	(15,074)	15,074	-	-	-	-	-	-	-	-
Balance at 31st March 2026 carried forward		(15,000)	(277,580)	(292,580)	(22,591)	(893)	(130,066)	(14,477)	(460,607)	(2,206,400)	(2,667,007)

Movement in Reserves (continued)

Restated 2023/24		General Fund Balance	Earmarked Reserves	General Fund Total	Housing Revenue Account	Major Repairs Reserve	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Balance at 31st March 2024 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		95,374	-	95,374	10,636	-	-	-	106,010	116,228	222,238
Adjustments between accounting basis & Funding basis under regulation	9	(85,682)	-	(85,682)	(7,974)	-	(1,533)	479	(94,710)	94,710	-
Transfers (from)/to Earmarked Reserves	10	(9,692)	9,692	-	-	-	-	-	-	-	-
Balance at 31st March 2025 carried forward		(15,000)	(292,654)	(307,654)	(22,715)	-	(124,655)	(25,343)	(480,367)	(2,105,964)	(2,586,331)

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.

Restated 31st March 2024		Note	31st March 2025
£000			£000
2,635,487	Property, Plant & Equipment	15	2,782,732
121,030	Heritage Assets	16	119,818
758	Intangible Assets	17	1,239
15,000	Long Term Investments	18a	10,000
9,737	Long Term Debtors	20	9,729
2,782,013	Long Term Assets		2,923,517
90,315	Short Term Investments	18a	20,115
2,810	Assets Held For Sale (<1 year)	22	27,917
3,252	Inventories	19	3,251
101,576	Short Term Debtors	20	96,892
90,821	Cash and Cash Equivalents	21	68,950
288,773	Current Assets		217,125

Balance Sheet (continued)

Restated 31st March 2024 £000		Note	31st March 2025 £000
(36,209)	Short Term Borrowing	18a	(21,279)
(175,006)	Short Term Creditors	23	(172,071)
(3,376)	Provisions (<1 year)	24	(13,150)
(214,591)	Current Liabilities		(206,499)
(5,980)	Provisions (>1 year)	24	(5,860)
(134,491)	Long Term Borrowing	18a	(135,099)
(84,961)	Other Long Term Liabilities	18a	(81,918)
(34,355)	Pension Liability	42	(30,185)
(2,797)	Revenue Grants Receipts in Advance	35	(1,822)
(7,278)	Capital Grants Receipts in Advance	35	(12,252)
(269,862)	Long Term Liabilities		(267,135)
2,586,333	Net Assets		2,667,008
	<u>Represented by:</u>		
480,368	Usable Reserves	25	460,607
2,105,965	Unusable Reserves	26	2,206,401
2,586,333	Total Reserves		2,667,008

Comparative information has been restated to separately disclose the pension liability on the face of the balance sheet. This presentation change has been made to improve clarity and comparability with the current year. There is no impact on the overall totals of liabilities or reserves.

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.

2023/24		2024/25	
£000		Note	£000
106,009	Net (surplus) or deficit on the provision of services		32,900
(166,904)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	27	(76,049)
103,290	Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities	27	55,181
42,395	Net cash flows from Operating Activities		12,032
(89,957)	Net cash flows from Investing Activities	28	(9,945)
39,516	Net cash flows from Financing Activities	29	19,782
(8,046)	Net (increase) or decrease in cash and cash equivalents		21,869
82,773	Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period		90,819
90,819	Cash in hand /(overdraft) and cash equivalents at the end of the reporting period	21	68,950

Explanatory Notes To The Core Financial Statements

Note 1 Accounting Policies

Changes in Accounting Policies

In 2024/25 we updated our policies to reflect requirement of IFRS 16 Leases.

Accounting Policies for 2024/25

1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2024/25 financial year and its position at the year end of 31st March 2025. 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 2024/25, 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;

Note 1 Accounting Policies (continued)

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 financial 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.

Note 1 Accounting Policies (continued)

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;

Note 1 Accounting Policies (continued)

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:

Note 1 Accounting Policies (continued)

8. Financial Instruments (continued)

Financial Assets (continued)

- amortised cost;
- fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVTOCI)

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

The Council identifies assets where there is a right to use, including peppercorn leases and arrangements with nil consideration in accordance with IFRS 16.

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).

Council as Lessee

Contracts, and parts of contracts, including those described as contracts for services, are assessed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Council recognises contracts as leases in accordance with IFRS16.

Note 1 Accounting Policies (continued)

10. Leases (continued)

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.

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.

Note 1 Accounting Policies (continued)

11. Property Plant and Equipment (continued)

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.
- Infrastructure - straight-line over estimated use of life.
- Community - straight-line over estimated use of life.
- Surplus - straight-line over estimated use of life.

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.

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

Componentisation Accounting policy

Where a building asset is revalued or enhanced, and the total asset value exceeds £5 million, the asset will be split into components (Structure, Roof, M&E, Plant) if they represent more than 20% of the total value and have different useful lives. The component will be depreciated over its specific useful life. The council currently does not have any assets that are componentised.

Note 1 Accounting Policies (continued)

11. Property Plant and Equipment (continued)

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

Note 1 Accounting Policies (continued)

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.

Note 1 Accounting Policies (continued)

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.

2024/25	Revenue Outturn Report-Expenditure	Adjustments to arrive at the Net Amount funded from General Fund *	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	95,886	(15,487)	80,399	25,162	105,561
Housing Revenue Account (HRA)		(11,704)	(11,704)	(2,252)	(13,956)
Adult Social Care	152,344	(19,656)	132,688	(1,501)	131,187
Health Improvement & Wellbeing	(6,822)	3,874	(2,948)	(818)	(3,766)
Education & Children's Services	110,022	(21,188)	88,834	29,201	118,035
Corporate Resources & Support	36,133	862	36,995	(2,102)	34,893
Housing Benefits		1,396	1,396	-	1,396
Corporate Items	421	14,645	15,066	(12,383)	2,683
Capital Financing	1,701	(2,218)	(517)	-	(517)
Cost of Services	389,683	(49,476)	340,207	35,307	375,514
Other Operating Expenditure		(19,483)	(19,483)	14,710	(4,773)
Financing and Investment Income and Expenditure		26,279	26,279	(14,636)	11,643
Taxation and Non-Specific Grant Income		(331,800)	(331,800)	(17,684)	(349,484)
(Surplus) or Deficit on Provision of Services	389,683	(374,480)	15,203	17,697	32,900

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(307,657)	(22,716)	(330,373)
Surplus or Deficit in the Year	15,079	124	15,203
Closing Balance	(292,578)	(22,592)	(315,170)

*Due to differences in the Outturn report compared with the requirements for the CIES. For example; capital financing costs are reported within Corporate Items in the outturn report but are shown below cost of services for the CIES, and also the income that supports the budget in the out-turn report is included in Taxation & non Specific Grant income on the CIES.

Note 2 Expenditure & Funding Analysis (continued)

Restated 2023/24	Revenue Outturn Report- Expenditure	Adjustments to arrive at the Net Amount funded from General Fund *	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	80,777	(16,562)	64,215	45,389	109,604
Housing Revenue Account (HRA)	-	(9,135)	(9,135)	9,632	498
Adult Social Care	146,961	(23,742)	123,219	(948)	122,271
Health Improvement & Wellbeing	(2,904)	160	(2,744)	(492)	(3,236)
Education & Children's Services	108,181	(13,368)	94,813	25,903	120,716
Corporate Resources & Support	37,552	1,068	38,620	(1,573)	37,047
Housing Benefits	-	451	451	-	451
Corporate Items	8,544	6,769	15,314	(18,951)	(3,638)
Capital Financing	(1,618)	1,101	(517)	-	(517)
Cost of Services	377,493	(53,258)	324,235	58,960	383,195
Other Operating Expenditure	-	(767)	(769)	105,452	104,684
Financing and Investment Income and Expenditure	-	26,497	26,497	(13,174)	13,323
Taxation and Non-Specific Grant Income	-	(365,717)	(337,615)	(57,579)	(395,194)
(Surplus) or Deficit on Provision of Services	377,493	(393,244)	12,349	93,659	106,008

Movement in Balances	General Fund / Earmarked Reserves	HRA	Total
Opening Balance	(317,346)	(25,378)	(342,724)
Surplus or Deficit in the Year	9,690	2,661	12,351
Closing Balance	(307,657)	(22,716)	(330,373)

*Due to differences in the Outturn report compared with the requirements for the CIES. For example; capital financing costs are reported within Corporate Items in the outturn report but are shown below cost of services for the CIES, and also the income that supports the budget in the outturn report is included in Taxation & non Specific Grant income on the CIES.

Note 3 Accounting Standards Issued But Not Yet Adopted

Under the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 21 The Effects of Changes in Foreign Exchange Rate (IAS 21 Lack of Exchangeability)** – the amendments to IAS 21 clarify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking, as well as require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.
- **IFRS 17 - Insurance Contracts.** IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of

IAS 16 Property, Plant and Equipment requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach. These have the same effect as requiring a change in accounting policy due to an amendment to standards, which would normally be disclosed under IAS 8. However, the adaptations also include a relief from the requirements of IAS 8. The impact of this is not reasonably estimable due to the nature and timing of the valuation process.

None of these amendments are anticipated to have a material impact on the Council's financial performance and financial position.

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 2025 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 - £2.9bn) (Depreciation - £57m) Refer to Note 15.	Valuation of operational property Asset valuations are based on Current Value and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's valuers provided valuations as at 31 March 2025 for approximately 25% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The Council's valuers use a combination of methodologies to value operational assets. This includes Depreciated Replacement Cost (DRC), Existing Use Value (EUV) and comparable methods. These methods can cause estimation uncertainty due to the indices and inputs (such as floor area) that must be used to apply valuations. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council valuers.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement. An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. Depreciation charges for operational buildings will change in direct relation to changes in estimated current value.
Fair Value Measurements (Surplus Assets - £115m) Refer to Note 15.	The Council's external valuers use valuation techniques to determine the fair value of surplus assets. This includes lease profile, tenant covenant, rent status and location. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
<p>Pension Liability</p> <p>(Net Asset—£30m)</p> <p>Refer to Note 42.</p>	<p>Under IFRIC 14 a defined benefit liability is calculated as the net total of the present value of the defined obligation minus the fair value at the end of the reporting date of the plan assets. If the fair value of the plan assets exceeds the calculated obligations (a net asset), IAS 19 contains a restriction over the amount of the asset that can be recognised. In effect it requires a calculation of the 'Asset Ceiling' this being based on the future current and past service costs less expected contributions.</p> <p>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.</p>	<p>If the carrying amount of the pension liability is restricted to £30m by the application of the asset ceiling, the sensitivity reporting the effect on the net pension liability may not be appropriate. The report produced by the Actuary provides sensitivities that are recorded in Note 42 , page 131.</p>

Note 6 Material Items of Income and Expense

In 2024/25 the valuation of surplus land owned by the Council at Ashton Green increased from £55m to £96m. 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 2024/25.

During the year, St Mary's Fields Primary, Shenton Primary, Bridge Junior, and Buswells Lodge Primary were converted into academies. The net book value of St Mary's Fields Primary (£8m), Shenton Primary (£5m), Bridge Junior (£3m) and Buswells Lodge Primary (£5m) 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

2024/25	Adjustments Between Accounting & Funding Basis					Net Expenditure Charged to the HRA & General Fund Balance
	Net Expenditure on the Comprehensive Income & Expenditure Statement	Adjustments for Capital Purposes	Adjustments for Defined Benefit Pensions	Other Adjustments	Total	
	£000	£000	£000	£000	£000	£000
City Development & Neighbourhoods	105,561	(30,418)	5,477	(221)	(25,162)	80,399
Housing Revenue Account (HRA)	(13,956)	(290)	2,201	341	2,252	(11,704)
Adult Social Care	131,187	(604)	2,184	(79)	1,501	132,688
Public Health	(3,766)	(1)	744	75	818	(2,948)
Education & Children's Services	118,035	(22,920)	10,054	(16,335)	(29,201)	88,834
Corporate Resources & Support	34,893	(486)	2,588	-	2,102	36,995
Housing Benefits	1,396				-	1,396
Corporate Items	2,683	10,799	1,305	279	12,383	15,066
Capital Financing	(517)				-	(517)
Cost of Services	375,514	(43,920)	24,553	(15,940)	(35,307)	340,207
Other Operating Expenditure	(4,773)	(14,710)			(14,710)	(19,483)
Financing and Investment Income and Expenditure	11,643	15,737	(1,101)		14,636	26,279
Taxation and Non-Specific Grant Income	(349,484)	19,812		(2,128)	17,684	(331,800)
(Surplus) or Deficit on Provision of Services	32,900	(23,081)	23,452	(18,068)	(17,697)	15,203

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

Adjustments Between Accounting & Funding Basis						
Restated 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	109,604	(49,357)	3,915	53	(45,389)	64,215
Housing Revenue Account (HRA)	498	(11,568)	1,544	392	(9,632)	(9,135)
Adult Social Care	122,271	(693)	1,567	74	948	123,219
Health Improvement & Wellbeing	(3,236)	(1)	477	16	492	(2,744)
Education & Children's Services	120,716	(33,286)	7,657	(274)	(25,903)	94,813
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	15,313
Capital Financing	(517)				-	(517)
Cost of Services	383,195	(78,128)	20,820	(1,652)	(58,960)	324,235
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	(395,194)	65,533		(7,954)	57,579	(337,615)
(Surplus) or Deficit on Provision of Services	106,007	(103,707)	19,654	(9,606)	(93,659)	12,348

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

- In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted-out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments, and some of these have been confirmed. However, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, the Council is unable to conclude whether there is any impact to the liabilities, the value of retirement benefits under IAS 19 or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the financial statements. It should also be noted that since the 31 March 2025 reporting date, the government has now said that legislation will be put in place for this and there is no expectation that the LGPS will be impacted.

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

Adjustment	2024/25					Movemt in Unusable Reserves
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	
	£000	£000	£000	£000	£000	£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	(42,026)	(14,176)	-	-	-	56,202
Revaluation gains/(losses) on Property Plant and Equipment	5,213	(16)	-	-	-	(5,197)
Capital grants and contributions applied	26,576	24	-	-	-	(26,600)
Capital expenditure funded from revenue	(3,379)	-	-	-	-	3,379
Revenue expenditure funded from capital under statute	(18,570)	(88)	-	-	-	18,658
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	(24,222)	(10,286)	-	-	-	34,508
Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account:						
Statutory provision for the financing of capital investment	14,104	1,633	-	-	-	(15,737)
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	9,952	10,286	(20,238)	-	-	-
Use of the Capital Receipts Reserve to finance new capital expenditure	-	-	14,415	-	-	(14,415)
Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals	(250)	(190)	440	-	-	-

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

Adjustment Continued	2024/25					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movemt in Unusable Reserves
	£000	£000	£000	£000	£000	£000
Adjustments primarily involving the Deferred Capital Receipts Reserve:						
Transfer from Deferred Capital Receipts Reserve upon receipt of cash	-	-	(27)	-	-	27
Adjustments primarily involving the Major Repairs Reserve:						
Transfer of HRA depreciation costs to Major Repairs Reserve	-	13,965	-	(13,965)	-	-
Use of the Major Repairs Reserve to finance new capital expenditure	-	-	-	13,073	-	(13,073)
Adjustments primarily involving the Capital Grants Unapplied Reserve:						
Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve	8,372	-	-	-	(8,372)	-
Application of grants to capital financing credited to the Capital Adjustment Account	-	-	-	-	19,238	(19,238)
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	279	384	-	-	-	(663)
Adjustments primarily involving the Pensions Reserve:						
Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(37,090)	(3,608)	-	-	-	40,698
Employer's pensions contributions and direct payments to pensioners payable in the year	58,465	5,686	-	-	-	(64,151)
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	(2,128)	-	-	-	-	2,128
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	(3,997)	(42)	-	-	-	4,039
Adjustment primarily involving DSG Deficit:						
School budget deficit transferred from General Fund in accordance with statutory requirements	(12,570)	-	-	-	-	12,570
Total Adjustments	(21,274)	3,572	(5,411)	(893)	10,866	13,135

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

Adjustment	2023/24					
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Movement in Unusable Reserves
	£000	£000	£000	£000	£000	£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 gain/(losses) on Property Plant and Equipment	(1,905)	611	-	-	-	1,294
Capital grants and contributions applied	56,581	24	-	-	-	(56,605)
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	(85,683)	(7,973)	(1,531)	-	479	(94,708)

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.

2024/25	Balance at 31st March 2024	Transfers In 2024/25	Transfers Out 2024/25	Balance at 31st March 2025
	£000	£000	£000	£000
Ring-fenced Reserves				
School Balances	20,715	1,850	(4,370)	18,194
Education & Skills Funding Agency Learning Programmes	775	103	(878)	-
Arts Council National Portfolio Organisation Funding	196	-	-	196
NHS Joint Working Projects	13,117	2,862	(13,663)	2,316
Social Care Projects	5,825	3,618	(5,494)	3,949
Health & Wellbeing Projects	3,822	106	(3,170)	758
Housing Projects	1,685	1,859	(1,662)	1,882
Other City Development & Neighbourhood Projects	3,728	2,217	(2,943)	3,002
Schools Catering	193	-	(193)	-
CHP Reserve	-	2,689	-	2,689
Covid-19 Collection Fund Compensation/Grants	100	-	(100)	-
Partnership Funds	-	9,968	-	9,968
Total Ring-fenced Reserves	50,155	25,272	(32,473)	42,954
Corporate Reserves				
Capital Programme Reserve	102,942	9,207	(103,733)	8,416
Managed Reserves Strategy	91,562	186,147	(93,725)	183,984
BSF Financing	9,157	225	(3,292)	6,090
Insurance Fund	3,847	-	(1,601)	2,246
Severance Fund	4,722	-	-	4,721
Service Transformation Fund	5,170	2,530	(1,698)	6,002
Workforce Development Fund	-	4,000	-	4,000
Welfare Reserve	2,164	45	(918)	1,291
Anti Poverty Reserve	1,783	-	(1,783)	-
Total Corporate Reserves	221,346	202,155	(206,750)	216,750
Earmarked Reserves Departmental				
Financial Services Reserve	-	-	-	-
ICT Development Fund	10,453	-	(2,453)	8,000
Elections Reserve	1,811	-	(400)	1,411
Ward Committees	96	80	(97)	79
City Development (Excl Housing)	-	-	-	-
Social Care Reserve	-	-	-	-
Other Departmental Reserves	8,791	2,463	(2,869)	8,385
Total Other Reserves	21,151	2,543	(5,819)	17,875
Total Earmarked Reserves	292,652	229,970	(245,042)	277,579

Note 10 - Movement in Earmarked Reserves (continued)

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
Total Corporate Reserves	198,971	73,778	(51,403)	221,346
Earmarked Reserves Departmental				
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 11 Other Operating Income and Expenditure

	2023/24	2024/25
	£000	£000
Total (gains)/losses on the disposal of non-current assets	105,367	14,710
Other operating income and expenditure	(683)	(19,483)
Total	104,684	(4,773)

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

Note 12 Financing and Investment Income & Expenditure

	2023/24	2024/25
	£000	£000
Interest payable and similar charges	19,562	16,067
Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments	479	897
Pensions interest cost and expected return on pensions assets	1,166	1,101
Interest receivable and similar income	(7,884)	(6,422)
Total	13,323	11,643

Note 13 Taxation and Non-Specific Grant Income & Expenditure

	Restated 2023/24	2024/25
	£000	£000
Council Tax income	(142,452)	(153,818)
Non-domestic rates	(119,545)	(102,625)
Non-ringfenced government grant Income	(67,493)	(73,247)
Non-ringfenced government grant Expenditure	-	18
Capital grants and contributions	(65,533)	(19,812)
Donated Assets	(171)	
Total	(395,194)	(349,484)

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.

	2023/24	2024/25
	£000	£000
Expenditure		
Employee Benefit Expenses	411,450	427,890
Other Services expenses	621,702	684,666
Depreciation, amortisation, impairment	86,664	52,078
Interest Payments	20,727	16,096
Precepts & Levies	94	96
(Gain)/ Loss on the Disposal of Assets	105,367	14,710
Total Expenditure	1,246,004	1,195,536
Income		
Fees, charges and other service income	(205,710)	(225,819)
Interest & Investment Income	(7,884)	(6,422)
Income from Council Tax, non domestic rates	(261,996)	(256,443)
Government grants & contributions	(664,405)	(673,952)
Total Income	(1,139,995)	(1,162,636)
(Surplus) or Deficit on Provision of Services	106,009	32,900

Note 15 Property, Plant and Equipment - Movement on Balances in 2024/25

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2024/25. The following tables

Movements on Balances in 2024/25	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 2024	1,216,933	1,026,418	59,203	1,389	3,457	70,952	31,637	2,409,989	74,655
Additions	39,321	29,624	5,735	-	684	1,682	27,443	104,489	190
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	449	80,164	-	-	(45)	19,130	(419)	99,279	1,173
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	-	(12,496)	(109)	(13)	(362)	25,033	(8,874)	3,179	-
De-recognition – disposals	(10,392)	(22,496)	(2,018)	-	-	(1,241)	-	(36,147)	-
De-recognition – other	-	-	-	-	-	-	-	-	-
Assets reclassified (to)/from Held for Sale	-	(17)	-	-	-	(26,740)	-	(26,757)	-
Asset reclassified (other)	-	13,143	-	-	-	-	(13,143)	-	-
As at 31st March 2025	1,246,311	1,114,340	62,811	1,376	3,734	88,816	36,644	2,554,032	76,018

Note 15 Property, Plant and Equipment - Movement on Balances in 2024/25 (continued)

Movements on Balances in 2024/25	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
Accumulated Depreciation &	-	-	-	-	-	-	-	-	-
As at 1st April 2024	-	(2,262)	(34,407)	(289)	(3)	-	(283)	(37,244)	(10,652)
Depreciation Charge	(13,039)	(24,740)	(5,000)	(17)	(29)	36	-	(42,789)	(4,115)
Depreciation written out to the Revaluation Reserve	12,935	22,122	-	-	28	2	7	35,094	2,476
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,248	-	-	-	-	106	1,354	-
De-recognition – disposals	106	228	1,832	-	-	-	-	2,166	-
As at 31st March 2025	2	(3,404)	(37,575)	(306)	(4)	38	(170)	(41,419)	(12,291)
Net Book Value as at 31st March 2025	1,246,313	1,110,936	25,236	1,070	3,730	88,854	36,474	2,512,613	63,727

*This table includes the Gross Book Value of assets, and under the temporary relief for Highways Infrastructure Assets is not disclosed and are excluded from this table as they are measured at historic cost.

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

Restated Comparative Movements 23/24	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 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)	(80,159)	(26,705)	20	840	(7,334)	-	(138,398)	2,506
Revaluation									
Increases/(Decreases) not recognised in the Revaluation Reserve	(13,370)	(11,991)	(145)	(23)	(513)	1,786	(1,741)	(25,997)	-
De-recognition – disposals	(13,221)	(113,539)	(1,602)	-	-	(336)	-	(128,698)	(86,935)
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	1,026,416	59,203	1,390	3,458	70,953	31,634	2,409,984	75,589

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

Restated Comparative Movements 23/24	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 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	22,959	3,815	-	31	13	-	40,057	2,477
Depreciation written out to the Surplus/Deficit on the provision of services	-	1,889	-	-	-	4	-	1,893	-
De-recognition – disposals	142	2,759	1,327	-	-	-	(283)	3,945	2,180
As at 31st March 2024	1	(2,259)	(34,405)	(289)	(3)	(1)	(283)	(37,239)	(10,652)
Net Book Value as at 31st March 2024	1,216,931	1,024,157	24,798	1,101	3,455	70,952	31,351	2,372,745	64,937

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.

	2023/24	2024/25
	£000	£000
Net carrying amount at 1st April	248,221	262,742
Additions	26,851	18,103
Disposals	(2,339)	(729)
Depreciation	(9,991)	(9,991)
Revaluations	-	-
Net carrying amount at 31st March	262,742	270,125

Total PPE Assets

	Restated 2023/24	2024/25
	£000	£000
Infrastructure Assets	262,742	270,125
Property, Plant and Equipment	2,372,745	2,512,613
Net Book Value at 31st March	2,635,487	2,782,738

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.

Note 15 Property, Plant and Equipment - Capital Commitments

At 31st March 2025, 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 2024 were £56.4m. The significant commitments are:

Contract for Capital Investment	£000
Hospital Close	23,044
Southfields / Newry New Build	11,040
Leicester Market Redevelopment Project	7,224
Leicester Museum and Art Gallery	3,411
Phoenix Cladding	2,416
Pilot House	1,881
The Curve Façade	1,238
BM/S - LTP Capital Monitoring (HAMS)	791
Childrens Homes Refurbishments	775
Education Systems Replacement	490
Dawns Centre	485
Rushey Mead Primary School Heating Replacement	284
Jewry Wall Museum Improvements	271
Total	53,350

Note 15 Property, Plant and Equipment - Revaluations

2024/25 Valuation Dates	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture & Equipment	Infrastructure	Community Assets	Surplus Assets	Assets Under Construction	Total
	£000	£000	£000		£000	£000	£000	£000
Historical Cost	-	3,538	62,811	3	40	-	30,704	97,096
Valued at fair or nominal value as at:								
Pre 1st April 2012	-	174	-	-	379	-	-	553
1st April 2012	-	-	-	-	-	-	-	-
1st April 2013	-	-	-	-	-	-	-	-
1st April 2014	-	-	-	686	-	-	-	686
1st April 2015	-	-	-	-	-	-	-	-
1st April 2016	-	-	-	-	-	-	-	-
1st April 2017	-	-	-	-	-	-	-	-
Valued @ 31st March 2019	-	3	-	-	3	4	-	10
Valued @ 31st March 2020	-	-	-	-	2	-	-	2
Valued @ 31st March 2021	-	-	-	-	-	-	-	-
Valued @ 31st March 2022	-	101	-	-	-	-	-	101
Valued @ 31st March 2023	-	(44)	-	-	-	-	-	(44)
Valued @ 31st March 2024	-	7,583	-	-	33	1,667	-	9,283
Valued @ 31st March 2025	1,246,311	1,102,984	-	687	3,277	87,144	5,940	2,446,343
Total	1,246,311	1,114,339	62,811	1,376	3,734	88,815	36,644	2,554,030

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 shown at current value in line with the Code.

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

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 2024/25 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 2024/25		Museum	Statues &	Total
	Buildings	Exhibits	Monuments	Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2024	2,653	112,503	5,874	121,030
Revaluations	-	124	(1,336)	(1,212)
As at 31st March 2025	2,653	112,627	4,538	119,818

2023/24 Comparative Movements		Museum	Statues &	Total
	Buildings	Exhibits	Monuments	Assets
	£000	£000	£000	£000
Cost or Valuation				
At 1st April 2023	2,608	112,247	5,876	120,731
Additions	-	186	-	186
Revaluations	46	67	-	113
As at 31st March 2024	2,654	112,500	5,876	121,030

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.

	2023/24	2024/25
	£000	£000
Balance at 1st April		
Gross Carrying Amounts	4,572	4,672
Accumulated Amortisation	(3,618)	(3,914)
Net carrying amount at 1st April	954	758
Additions (Purchases)	219	790
Impairment losses recognised in the Surplus/Deficit on the Provision of Services	(119)	-
Amortisation applied in Year	(296)	(309)
Gross Carrying Amount at 31st March	4,672	5,462
Accumulated Amortisation	(3,914)	(4,223)
Net Carrying Amount at 31st March	758	1,239

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	31st March 2024	31st March 2025	31st March 2024	31st March 2025
	£000	£000	£000	£000
<i>Measured at Amortised cost</i>				
- Principal at amortised cost	15,000	10,000	83,000	15,000
- Accrued interest	-	-	798	567
<i>Measured at fair value</i>	-	-	6,517	4,548
Total Investments	15,000	10,000	90,315	20,115
<i>Measured at Amortised cost</i>				
- Cash (including bank accounts)	-	-	55,821	47,110
<i>Measured at fair value</i>			-	
- Cash equivalents	-	-	35,000	21,840
Total Cash and Cash Equivalents	-	-	90,821	68,950
<i>Measured at Amortised cost</i>				
- Trade receivables and other debtors	4,417	4,436	58,972	73,084
- Loans made for service purposes	5,321	5,293	358	358
Included in Debtors	9,737	9,729	59,330	73,442
Total Financial Assets	24,737	19,729	240,466	162,507
Assets not defined as Financial Instruments	-	-	48,307	54,618
Total	24,737	19,729	288,773	217,125

Note 18a Financial Instruments - Classifications (continued)

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

Financial Liabilities	Long Term		Short Term	
	Restated 31st March 2024	31st March 2025	Restated 31st March 2024	31st March 2025
	£000	£000	£000	£000
<i>Measured at Amortised cost</i>				
- Principal sum borrowed	134,491	134,491	34,075	20,000
- Accrued interest	-	-	1,526	1,279
- EIR adjustments	-	608	608	-
Total Borrowing	134,491	135,099	36,209	21,279
<i>Measured at Amortised cost</i>				
- Finance leases	7,646	9,182	-	-
- PFI arrangements	57,771	53,003	-	-
- Transferred debt liability	-	-	-	-
- Other	89	304	-	-
Included in Other Long-term Liabilities	65,506	62,489	-	-
<i>Measured at Amortised cost</i>				
- Finance leases	-	-	63	63
- PFI arrangements	-	-	3,499	679
- Transferred debt liability	-	-	-	-
- Trade payables and other creditors	-	-	106,747	109,386
Included in Short term Creditors	-	-	110,309	110,128
Total Financial Liabilities	199,997	197,588	146,518	131,407
Liabilities not defined as Financial Instruments	69,865	79,547	68,073	65,092
Total	269,862	277,135	214,591	196,499

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	2024/25 Total
	£000	£000	£000	£000
Financial assets measured at fair value through profit or loss	-	-	897	897
Net (gains)/losses	-	-	897	897
Interest expense	17,168	-	-	17,168
Interest payable and similar charges	17,168	-	-	17,168
Interest income	-	(6,181)	-	(6,181)
Dividends	-	-	(241)	(241)
Interest and investment income	-	(6,181)	(241)	(6,422)
Net (Gain)/Loss for the Year	17,168	(6,181)	656	11,643

	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

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 are valued at level 2 using observed market rates for similar instruments
- Loans to Companies: are valued at Level 2 based on their estimated credit worthiness
- Finance Lease: Valued at Level 2 based on discounting future lease payments.
- Long-term Loans from PWLB: Valued at Level 2 using observed market rates for similar instruments.
- Other Long-term Loans: Valued at Level 2 using observed market rates.

The following tables show amounts held for

financial instruments as at 31st March 2025 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 2024		31st March 2025	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial assets held at fair value:</i>					
Cash equivalents - Money market funds	1	35,000	35,000	21,840	21,840
Property Unit Trusts	2	6,517	6,517	4,548	4,548
<i>Financial assets held at amortised cost:</i>					
Long-term loans to local authorities	2	15,000	15,258	10,000	10,352
Long-term loans to companies	2	4,717	4,717	4,717	4,717
Finance Lease	3	604	604	576	576
Total		61,838	62,096	41,681	42,033
Assets for which fair value is not disclosed *		210,157	-	140,554	-
Total Financial Assets		271,995	62,096	182,235	42,033
<i>Recorded on balance sheet as:</i>					
Long-term debtors		9,737		9,729	
Long-term investments		15,000		10,000	
Short-term debtors		66,123		73,442	
Short-term investments		90,315		20,114	
Cash and cash equivalents		90,820		68,950	
Total Financial Assets		271,995		182,235	

*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)

		Restated 31st March		31st March 2025	
	Fair Value Level	Balance Sheet £000	Fair Value £000	Balance Sheet £000	Fair Value £000
<i>Financial liabilities held at amortised cost:</i>					
Long-term loans from PWLB	2	134,491	119,889	134,491	103,709
Long-term LOBO loans	2	20,608	22,969	-	-
Lease payables and PFI liabilities	2				
Transferred debt liabilities	2				
Total		155,099	142,858	134,491	103,709
Liabilities for which fair value is not disclosed *		191,416		194,505	
Total Financial Liabilities		346,515	142,858	328,996	103,709
<i>Recorded on balance sheet as:</i>					
Short-term creditors		110,310		110,128	
Short-term borrowing		36,209		21,887	
Long-term borrowing		134,491		134,491	
Other long-term liabilities		65,507		62,489	
Total Financial Liabilities		346,518		328,995	

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

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 £21.8m as at 31st March 2025 (£35m as at 31st March 2024) 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 £25m (£98m as at 31st March 2024). 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 2025 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 £15.6m was made in 2024/25 (£16.9m in 2023/24). 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.

Time to maturity (years)	31st March 2024 £000	31st March 2025 £000
Not over 1	40,940	24,779
Over 1 but not over 2	4,550	5,792
Over 2 but not over 5	15,077	14,676
Over 5 but not over 10	28,807	29,826
Over 10 but not over 20	21,509	18,461
Over 20 but not over 30	135,152	134,896
Over 30	13,513	13,586
Total	259,548	242,016

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 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	790
Increase in interest receivable on short term investments	457
Increase in interest payable on variable rate loans	(240)
Impact on Surplus or Deficit on the Provision of Services	1,007
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 *	0
Decrease in fair value of fixed rate borrowings/liabilities *	13,184

*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 2024	Balance at 31st March 2025
	£000	£000
Consumable Stores	437	368
Maintenance Materials	2,298	2,433
Work in Progress	517	450
Total	3,252	3,251

Note 20 Debtors

Long-Term Debtors

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

	Balance at 31st March 2024	Balance at 31st March 2025
	£000	£000
PFI & Other Leases	3,078	3,265
Other Long Term Debtors	6,659	6,464
Total	9,737	9,729

Short-Term Debtors

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

	Balance at 31st March 2024	Balance at 31st March 2025
	£000	£000
Central Government bodies	16,365	19,085
Other Local Authorities	19,081	12,187
NHS bodies	7,834	2,710
Other Entities and Individuals	30,957	32,691
Payments in Advance	7,388	9,024
Local Taxation (Council Tax & Business Rates)	19,950	21,196
Total	101,575	96,892

Note 21 Cash and Cash Equivalents

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

	Balance at 31st March 2024	Balance at 31st March 2025
	£000	£000
Cash held by the Council	29	26
Bank	55,790	47,084
Short-term deposits	35,000	21,840
Total Cash and Cash Equivalents	90,819	68,950

Note 22 Assets Held for Sale

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

	Restated	
	2023/24	2024/25
	£000	£000
Balance at 1st April	6,583	3,084
Property, Plant and Equipment newly classified as held for sale	-	26,757
Property, Plant and Equipment declassified as held for sale	(2,164)	-
Assets Sold	(1,584)	(528)
Other Adjustments	249	(1,122)
Balance at 31st March	3,084	28,191

*Restated for 2023/2024 due to change in valuation following publishing of the accounts.

Note 23 Creditors

The value of creditors as at 31st March:

	Balance at 31st March 2024 £000	Balance at 31st March 2025 £000
Central Government bodies	30,303	20,285
Other Local Authorities	9,697	9,334
NHS bodies	907	956
Other Entities and Individuals	111,079	112,486
Receipts in Advance	23,019	29,010
Total	175,005	172,071

Note 24 Provisions

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

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 £5.7m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £2.2m 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.

	Insurance	Biffa Leicester Waste	Housing Benefits	Housing	Business Rate Appeals	Total
	£000		£000	£000	£000	£000
Balance at 1st April 2023	3,612		657	485	5,856	10,610
Net Movement (additions less amounts used)	867		(657)	-	(1,464)	(1,254)
Balance at 1st April 2024	4,479		-	485	4,392	9,356
2024/25 Provisions/(Reductions)	1,246	10,000		15	(3,000)	8,261
Amounts used in 2024/25					1,392	1,392
Balance at 31st March 2025	5,725	10,000	-	500	2,784	19,009

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 £2.8m).

Biffa Leicester Waste

The BIFFA Leicester waste contract is a long-standing agreement that has been in place since 2003. A dispute arose that was settled for the sum of £10m and a provision has been made for this in these accounts.

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	Movement	Closing Balance	Supporting Note
	£000	£000	£000	
General Fund	(15,000)	-	(15,000)	MIRS and Narrative Statement
Earmarked Reserves	(292,654)	15,074	(277,580)	Note 10 and Narrative Statement
Total General Fund Reserves	(307,654)	15,074	(292,580)	
Housing Revenue Account	(22,716)	125	(22,591)	HRA Statements and Notes
Major Repairs Reserve	-	(893)	(893)	Note 9 and HRA Note 13
Capital Receipts Reserve	(124,655)	(5,411)	(130,066)	Note 9 and HRA Note 13
Capital Grants Unapplied Reserve	(25,343)	10,866	(14,477)	Note 9 and HRA Note 13
Total Usable Reserves	(480,368)	19,761	(460,607)	

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").

	Restated 31st March 2024	31st March 2025
	£000	£000
Revaluation Reserve	(1,133,644)	(1,231,449)
Capital Adjustment Account	(1,041,269)	(1,057,833)
Financial Instruments Adjustment Account	19,947	19,287
Deferred Capital Receipts Reserve	(989)	(962)
Pensions Reserve	34,355	30,185
Collection Fund Adjustment Account	(465)	1,664
Accumulated Absences Account	6,449	10,489
Dedicated Schools Grant Adjustment Account	9,648	22,219
Total Unusable Reserves	(2,105,968)	(2,206,401)

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.

	Restated 2023/24	2024/25
	£000	£000
Balance at 1st April	(1,316,634)	(1,133,642)
Upward revaluation of assets	(89,592)	(197,190)
Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services	187,823	64,333
(Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services	98,231	(132,857)
Difference between fair value depreciation and historical cost depreciation	24,781	21,629
Accumulated gains on assets sold or scrapped	59,980	13,423
Balance at 31st March	(1,133,642)	(1,231,447)

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.

	2023/24	2024/25
	£000	£000
Balance at 1st April	(1,061,239)	(1,041,270)
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:		
Charges for depreciation & impairment	84,932	55,895
Revaluation (gain)/loss on Property, Plant and Equipment	1,294	(5,197)
Amortisation of intangible assets	296	308
Revenue expenditure funded from capital under statute	25,464	18,658
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	129,374	34,508
	(819,879)	(937,098)
Adjusting amounts written out of the Revaluation Reserve	(84,761)	(35,052)
Net written out amount of the cost of non-current assets consumed in the year	(904,640)	(972,150)
Capital financing applied in the year:		
Use of the Capital Receipts Reserve to finance new capital expenditure	(22,416)	(14,415)
Use of the Major Repairs Reserve to finance new capital expenditure	(14,323)	(13,073)
Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing	(79,527)	(45,839)
Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(14,340)	(15,737)
Capital expenditure charged against the General Fund and HRA balances	(6,024)	3,379
Balance at 31st March	(1,041,270)	(1,057,834)

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.

	2023/24	2024/25
	£000	£000
Balance at 1st April	18,426	19,947
Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements	1,521	(662)
Balance at 31st March	19,947	19,285
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	1,521	(662)

Note 26e Unusable Reserves (continued)

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.

	2023/24	2024/25
	£000	£000
Balance at 1st April	(1,015)	(989)
Transfer to the Capital Receipts Reserve upon receipt of cash	26	27
Balance at 31st March	(989)	(962)

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.

	2023/24	2024/25
	£000	£000
Balance at 1st April	36,012	34,355
Remeasurement of the Net Defined Benefit Liability	17,997	19,283
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	42,780	40,698
Employer's pensions contributions and direct payments to pensioners payable in the year	(62,434)	(64,151)
Balance at 31st March	34,355	30,185

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.

	2023/24	2024/25
	£000	£000
Balance at 1st April	(8,419)	(465)
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	2,128
Balance at 31st March	(465)	1,663

	2023/24	2024/25
	£000	£000
Balance at 1st April	9,973	6,449
Settlement or cancellation of accrual made at the end of the preceding year	(9,973)	(6,449)
Amounts accrued at the end of the current year	6,449	10,489
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	(3,524)	4,040
Balance at 31st March	6,449	10,489

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 2025, 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.

The Government has confirmed the statutory override for DSG Deficits will remain in place until 31 March 2028.

	2023/24	2024/25
	£000	£000
Balance at 1st April	5,994	9,648
School budget deficit transferred from General Fund in accordance with statutory requirements	3,654	12,570
Balance at 31st March	9,648	22,218

Note 27 Cash Flow Statement - Operating Activities

The cash flows for operating activities include the following items:

	2023/24	2024/25
	£000	£000
Interest received	(7,884)	(6,422)
Interest paid	1,166	16,067
Net interest	(6,718)	9,645

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

	2023/24	2024/25
	£000	£000
Depreciation	(61,665)	(52,780)
Downward revaluations, impairment losses and reversal of prior year impairments	(27,705)	4,533
Amortisation	(296)	(308)
Increase / (decrease) in creditors	5,914	(8,794)
(Increase) / decrease in debtors	21,542	(4,464)
(Increase) / decrease in inventories	94	(1)
Movement in pension liability	19,654	23,453
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(125,215)	(35,238)
Other non-cash items charged to the net surplus or deficit on the provision of services	773	(2,450)
	(166,904)	(76,049)

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:

	2023/24	2024/25
	£000	£000
Capital Grants credited to surplus or deficit on the provision of services	78,852	34,943
Proceeds from the sale of property plant and equipment, investment property and intangible assets	24,438	20,238
	103,290	55,181

Note 28 Cash Flow Statement - Investing Activities

	2023/24	2024/25
	£000	£000
Purchase of property, plant and equipment and intangible assets	114,669	123,191
Purchase of short-term and long-term investments	73,000	318,550
Proceeds from sale of property, plant and equipment and intangible assets	(24,438)	(20,238)
Proceeds from short-term and long-term investments	(172,299)	(391,549)
Capital Grants credited to surplus or deficit on the provision of services	(78,850)	(34,943)
Other receipts and payments from investing activities	(2,039)	(4,956)
Net Cash Flows from Investing Activities	(89,957)	(9,945)

Note 29 Cash Flow Statement - Financing Activities

	2023/24	2024/25
	£000	£000
Cash receipts of short and long-term borrowing	(38,600)	(51,200)
Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts	4,612	5,707
Repayments of short and long-term borrowing	73,504	65,275
Net Cash Flows from Financing Activities	39,516	19,782

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 £0.67m (Adult Social Care contribution of £0.60m and Education contribution of £0.07m) to the pool during 2024/25 (in 2023/24 this was £0.70m Adult Social Care and £0.08m Education). 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.

	2023/24	2024/25
	£000	£000
Funding provided to the pooled budget:		
Leicester City Council	783	671
Leicestershire County Council	1,459	1,255
Rutland County Council	85	73
NHS Leicester, Leicestershire & Rutland ICB	5,088	4,372
Total Funding provided to the pooled budget	7,415	6,371
Total Expenditure met from the pooled budget	6,783	6,242

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 £20.9m to the pool in 24/25 (£18.6m Adult Social Care and £2.3m City Development and Neighbourhoods). In 23/24 this was £20.5m (£18.6m 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.

	2023/24	2024/25
	£000	£000
Income		
Revenue		
ICB Minimum Fund	29,727	31,410
Improved Better Care Fund (IBCF)	17,557	17,557
Total Revenue Income	47,284	48,967
Capital Disabled Facilities Grant	2,951	3,367
Total Income	50,235	52,334
Expenditure		
Revenue		
Actual Spend incurred by LCC managed schemes incl IBCF	37,276	38,436
Actual spend incurred by ICB & LPT (Leicestershire Partnership Trust) managed schemes	10,008	10,530
Total Revenue Expenditure	47,284	48,966
Capital		
Disabled Facilities Grant	2,951	3,368
Total Capital Expenditure	2,951	3,368
Total Expenditure	50,235	52,334

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:

	2023/24	2024/25
	£	£
Basic Allowance Payments	631,753	727,236
Special Responsibility Payments	346,516	373,407
General Expense Payments	73,693	761
Total	1,051,962	1,101,404

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 2024/25, 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 2024/25 with comparative data from 2023/24 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)	2025/26	161,909	41,624	-	203,533
	2024/25	157,965	40,527	-	198,492
Director of Corporate Services (Note 1)	2024/25	96,189	22,842	-	119,031
	2023/24	12,378	3,116	-	15,494
Director of Finance - S151 Officer	2024/25	101,007	28,080	-	129,087
	2023/24	94,621	26,305	-	120,926
City Barrister & Head of Standards - Monitoring Officer (Note 2)	2025/26	87,803	24,359	-	112,162
	2024/25	85,666	23,765	-	109,431
Strategic Director Social Care and Education (Note 3)	2024/25	141,951	39,408	-	181,359
	2023/24	23,050	6,408	-	29,458
Strategic Director - City Development & Neighbourhoods - Richard Sword	2025/26	151,740	42,184	-	193,924
	2024/25	148,039	41,155	-	189,194
Director of Public Health (Note 4)	2025/26	104,718	29,062	-	133,780
	2024/25	91,859	25,487	-	117,346
Principal - Ellesmere College - Stephanie Beale	2024/25	164,959	47,310	-	212,269
	2023/24	149,927	35,503	-	185,430

Notes:

- 1) The Director of Corporate Services took up the role in February 2024
- 2) The City Barrister works on a part time basis
- 3) The Strategic Director of Social Care and Education took up the new role in February 2024
- 4) The Director of Public Health took up the role 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	
	2023/24	2024/25	2023/24	2024/25	2023/24	2024/25
50,000-54,999	183	205	105	163	288	368
55,000-59,999	64	81	57	77	121	158
60,000-64,999	48	44	20	30	68	74
65,000-69,999	30	38	32	23	62	61
70,000-74,999	23	15	21	20	44	35
75,000-79,999	7	19	9	25	16	44
80,000-84,999	2	5	10	9	12	14
85,000-89,999	3	4	9	5	12	9
90,000-94,999	-	-	3	6	3	6
95,000-99,999	2	1	3	3	5	4
100,000-104,999	1	4	-	3	1	7
105,000-109,999	5	3	1	-	6	3
110,000-114,999	-	1	2	1	2	2
115,000-119,999	-	-	2	2	2	2
120,000-124,999	-	-	-	3	-	3
145,000-149,999	-	-	1	-	1	-
Total	368	420	275	370	643	790

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:

	Restated 2023/24 £000	2024/25 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	404	426
Fees payable for the certification of grant claims and returns for the year	84	85
Fees payable in respect of other services provided during the year	13	-
Total	501	510

* Fees payable with regard to external audit services carried out by the appointed auditor for the year in 2023/24 have been restated from £404,000 to £419,000 to account for additional audit fees charged for the 2023/24 year end audit.

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 2025 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 2024/25 are as follows:

2024/25	Central Expenditure	Individual Schools Budget	Total
	£000	£000	£000
Final DSG for 2024/25 before Academy recoupment	-	-	452,949
Academy figure recouped for 2024/25	-	-	(196,371)
Total DSG after Academy recoupment for 2024/25	-	-	256,578
Agreed initial budgeted distribution in 2024/25	115,474	141,104	256,578
In year adjustments	(80)	437	357
Final budgeted distribution for 2024/25	115,394	141,541	256,935
Actual central expenditure for the year	(127,964)	-	(127,964)
Actual ISB deployed to schools	-	(141,541)	(141,541)
In year Carry forward to 2025/26	(12,570)	-	(12,570)
DSG unusable Reserve at the end of 2023/24			(9,648)
Total of DSG unusable reserve at the end of 2024/25			(22,218)

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
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)
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)

Note 35 Grant Income

Capital grants recognised in the year

The Council received the following capital grants in 2024/25.

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.

	2023/24	2024/25
	£000	£000
Credited to Services (All REFCUS related)		
Devolved Formula Capital Grant	1,748	517
Levelling Up Fund	1,425	977
Homes England Grant	2,897	-
Green Homes Grant	1,661	-
Disabled Facilities Grant	1,905	-
S106 Contributions	-	-
ERDF Growth Hub	-	-
Other	230	456
High Streets Heritage Action Zones	481	-
DFT Transforming Cities Fund	-	-
Affordable Warmth	-	-
DFT ZEBRA Grant	2,970	-
Phoenix Square Cladding	-	-
DFT Cleaner Bus Technology Grant	-	-
Business Rates Pool	-	-
DFE Basic Need Grant	-	163
Get Building Fund	-	-
Total Credited to Services	13,317	2,113

Note 35 Grant Income (continued)

	2023/24	2024/25
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
DFT Transforming Cities Fund	1,259	-
High Needs Provision Capital	5,437	1,291
DFE Capital Maintenance Grant	7,148	7,069
Levelling Up Fund	22,229	4,203
DFT Integrated Transport Grant	2,576	2,576
DFT Maintenance Grant	2,632	3,262
DFE Basic Need Grant	7,483	2,048
Other DFT Grants	1,467	996
Other	803	5,170
Green Homes Grant	322	11
Business Rates Pool	4,155	537
Devolved Formula Capital Grant	662	171
Other DFE Grants	270	285
High Streets Heritage Action Zones	-	-
S106 Contributions	603	514
Homes England Grant	7,856	3,185
Local Authority Housing Fund	2,434	1,512
DFT ZEBRA Grant	3	-
Brownfield Land Release Fund	713	-
Affordable Warmth	-	-
Disabled Facilities Grant	-	-
Phoenix Square Cladding	-	-
Social Housing Decarbonisation Fund	(2,518)	-
Total Credited to Taxation & Non-Specific Grant Income	65,534	32,830

*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:

	2023/24	2024/25
	£000	£000
Capital Grants Receipts in Advance		
Other DFT Grants	2,660	1,922
Devolved Formula Capital Grant	8	8
Disabled Facilities Grant	725	1,449
Green Homes Grant	60	60
DFT Breathe Grants	-	-
Homes England Grant	2,267	2,267
Salix	22	22
Other	96	2,700
Local Authority Housing Fund	867	2,789
Other DFE Grants	558	1,021
Total Capital Grants Receipts in Advance	7,263	12,238
Capital Receipts not Recognised (deposits)	14	14
Total Received in Advance	7,277	12,252

Note 35 Grant Income (continued)

Revenue grants recognised in the year

The Council received the following revenue grants in 2024/25.

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.

	2023/24	2024/25
	£000	£000
Credited to Taxation & Non-Specific Grant Income		
Revenue Support Grant	33,413	35,626
Social Services Support Grant	28,101	36,695
Section 31 Grants	30,069	34,002
New Homes Bonus Scheme	125	1,513
Other	4,098	707
BRRG top Up	-	459
Business Rates Reconciliation Grant	-	128
Total Credited to Taxation & Non-Specific Grant Income	95,806	109,130
Credited to Services		
Children's and Education Services		
Dedicated Schools Grant (see note 34)	245,018	257,014
Other Education	37,178	39,507
Pupil Premium	11,315	11,103
Other Covid-19 Grants	1,840	490
Adult Social Care		
Improved Better Care Fund	17,556	17,556
Other Adult Social Care	11,140	12,831
Other Covid-19 Grants	64	37
Public Health		
Public Health Grant	29,169	30,433
Other Public Health	2,951	5,129
City Development, Neighbourhoods & Housing		
Other City Development, Neighbourhoods & Housing	18,028	24,376
Waste PFI	2,074	2,591
Other Covid-19 Grants	127	
Waste Re- procurement costs		468
Regulatory Services		29
Corporate and Resources		
Housing Benefit Subsidies	72,753	70,212
Other Corporate and Resources	9,625	9,226
Housing Benefit & Council Tax Benefit Admin Grant	1,043	1,013
Local Council Tax Support Admin Grant	685	
Waste PFI	517	
Elections	55	
Total Credited to Services	461,138	482,015
Total Recognised in Year	556,944	591,145

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:

	2023/24	2024/25
	£000	£000
Adult Social Care		
Other Adult Social Care	245	
City Development, Neighbourhoods & Housing		
City Development, Neighbourhoods & Housing	1,180	-
Housing		
Other City Development, Neighbourhoods & Housing		453
Corporate and Resources		
Other Corporate and Resources	637	228
Public Health		
Public Health	735	1141
Total Receipts in Advance	2,797	1,822

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, 14 Members of the Council and 3 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 22 different organisations. The Council made a total of £5m in payments to nineteen 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 twelve 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, the interest rate is at market rate terms.

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

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 Private Finance Initiative (PFI) / Public-Private Partnership (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.

	2023/24	2024/25
	£000	£000
Opening Capital Financing Requirement	591,062	594,562
<u>Capital Investment</u>		
Property, Plant and Equipment	114,187	123,285
Intangible Assets	219	790
Heritage Assets	186	-
Revenue Expenditure Funded from Capital Under Statute	25,464	18,658
Capital Loans Expenditure	71	848
Property Unit Trusts		(4,548)
De Minimis Capital Spend	1	
Sub-total	140,128	139,033
<u>Sources of Finance</u>		
Capital Receipts	(22,414)	(14,415)
Government Grants & Other Contributions	(79,527)	(45,838)
Sums set aside from revenue:	-	
Direct Revenue Contributions	(20,347)	(9,695)
MRP	(14,340)	(15,737)
Sub-total	(136,628)	(85,685)
Closing Capital Financing Requirement	594,562	647,910
Increase/(Decrease) in underlying need to borrow	3,500	53,001
Increase/(Decrease) in Capital Financing Requirement	3,500	53,001

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:

The council has considered IFRS 16 Leases which is valid from 1 April 2024 and determined no adjustments were required, as this does not materially impact the financial statements.

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:

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

	31st March 2024	31st March 2025
	£000	£000
Other Land and Buildings	2,506	3,177
Vehicles, Plant and Equipment	197	1,930
Total	2,703	5,107

	31st March 2024	31st March 2025
	£000	£000
Finance lease liabilities	7,804	9,001
Finance costs payable in future years	12,727	12,557
Total minimum lease payments	20,531	21,558

	Minimum Lease Payments		Finance Lease Liabilities	
	31st March 2024	31st March 2025	31st March 2024	31st March 2025
	£000	£000	£000	£000
Within one year	479	880	63	399
Within 2 to 5 years	1,918	3,024	284	1,226
Later than 5 years	18,134	17,654	7,457	7,377
Total	20,531	21,558	7,804	9,002

Note 38 Leases (continued)

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:

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.

Finance Lease Debtor	31st March 2024	31st March 2025
	£000	£000
Current	27	28
Non-current	629	601
Unearned finance income	446	424
Gross Investment in the lease	1,102	1,053

Minimum Lease Payments	31st March 2024	31st March 2025
	£000	£000
Within one year	48	48
Within 2 to 5 years	193	193
Later than 5 years	861	813
Total	1,102	1,054

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 2024 £000	31st March 2025 £000
Not later than one year	5,161	5,137
Later than one year and not later than 5 years	14,731	19,639
Later than 5 years	81,631	95,157
Total	101,523	119,933

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.

	Other Land & Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000
Balance at 1st April 2024	7,951	2,715	10,666
Additions	-	190	190
Depreciation	(1,285)	(1,231)	(2,516)
Revaluation	896	-	896
Balance at 31st March 2025	7,562	1,674	9,236

	Other Land & Buildings	Vehicles, Plant & Equipment	Total
	£000	£000	£000
Balance at 1st April 2023	6,313	3,946	10,259
Depreciation	(1,285)	(1,231)	(2,516)
Revaluation	2,923	-	2,923
Balance at 31st March 2024	7,951	2,715	10,666

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 RPIX) and can be reduced if the contractor fails to meet performance standards. Payments remaining to be made under the PFI contract at 31 March 2025 (excluding 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 as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement costs	Total
	£000	£000	£000	£000	£000
Within 1 year	6,701	128	421	1,887	9,137
Within 2 to 5 years	14,114	258	446	3,806	18,624
Total	20,815	386	867	5,693	27,761

	2023/24	2024/25
	£000	£000
Balance outstanding at 1st April	2,363	385
Payments during the year	(1,978)	(1,989)
Additions	-	190
Balance at 31st March	385	(1,414)

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 2024/25 was therefore the sixteenth year of the operation of the contract costing £7.5m.

The assets are no longer contained on the council's balance sheet in the year 2024/25 as a result only the 2023/24 figures are included as a previous year comparative.

Other Land & Buildings	
	£000
Balance at 1st April 2023	47,949
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 annual payment which is increased by inflation each year

and can be reduced if the contractor fails to meet availability and performance standards in

any year but which is otherwise fixed. Payments remaining to be made under the contract

at 31st March 2025 (excluding any estimation of inflation and availability/performance

deductions) 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:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement costs	Total
	£0	£0	£0	£0	£0
Within 1 year	2,669	1,672	1,911	799	7,051
Within 2 to 5 years	11,498	6,964	6,096	5,553	30,111
Within 6 to 10 years	13,358	12,645	3,114	2,323	31,440
Within 11 to 15 years	0	0	0	0	0
Total	27,525	21,281	11,121	8,675	68,602
				2023/24	2024/25
				£000	£000
Balance outstanding at 1st April				23,855	22,698
Payments during the year				(1,157)	(1,416)
Balance at 31st March				22,698	21,282

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. 2024/25 was the twelfth 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 Balance at 31st March 2024	47,628
Revaluations/(Impairment)	2,753
Depreciation	(1,191)
Balance at Balance at 31st March 2025	49,190

	Other Land & Buildings £000
Balance at 1st April 2023	86,677
Disposals	(38,034)
Revaluations/(Impairment)	1,128
Depreciation	(2,143)
Balance at 31st March 2024	47,628

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 31 March 2025 are as follows:

	Payment for Services	Reimbursement of Capital	Interest	Lifecycle Capital Replacement	Total
	£000	£000	£000	£000	£000
Within 1 year	2,896	913	2,055	1,823	7,687
Within 2 to 5 years	12,424	6,799	7,253	4,513	30,989
Within 6 to 10 years	17,605	11,464	6,084	6,335	41,488
Within 11 to 15 years	14,234	10,754	1,677	5,321	31,986
Total	47,159	29,929	17,069	17,993	112,150

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

	2023/24	2024/25
	£000	£000
Balance outstanding at 1st April	32,263	31,303
Payments during the year	(960)	(1,374)
Balance at 31st March	31,303	29,929

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.

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 2025 are shown in the table:

	Vehicles, Plant & Equipment
	£000
Balance at 1st April 2024	5,710
Depreciation	(408)
Balance at 31st March 2025	5,302

	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 2025 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

	Payment for Services	Reimbursement of Capital Expenditure	Interest	Lifecycle Capital Replacement Costs	Total
		£000	£000	£000	£000
Within 1 year	1,793	357	695	215	3,060
Within 2 to 5 years	7,172	1,577	2,634	860	12,243
Within 6 to 10 years	8,965	3,108	2,156	1,076	15,305
Within 11 to 15 years	4,908	2,301	356	538	8,103
Within 16 to 20 years	1,309	113	-77	0	1,345
Total	24,147	7,456	5,764	2,689	40,056

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 2025 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.

	2023/24	2024/25
	£000	£000
Liability for capital expenditure incurred for operational phases	7,205	6,909
Payments during the year	(296)	(327)
Balance at 31st March	6,909	6,582

Note 40 Termination Benefits

The Council terminated the contracts of a number of employees in 2024/25 incurring liabilities of £1.0m (£1.8m in 2023/24). Of this £0.6m (£0.8m in 2023/24) was for redundancy and other departure costs, and £0.4m (£1m in 2023/24) 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 2024/25 the Council approved 24 compulsory redundancies (33 in 2023/24).

Band	Total number of exit packages by cost band	Total Cost of Exit packages 2023/24	Total number of exit packages by cost band	Total Cost of Exit packages 2024/25
£	2023/24	£	2024/25	£
0 - 20,000	56	473,387	41	288,681
20,001 - 40,000	6	159,797	4	122,176
40,001 - 60,000	9	460,709	1	41,115
60,001 - 80,000	2	136,468	2	154,261
80,001 - 100,000	2	181,089	-	-
100,001 - 120,000	3	385,872	-	-
120,001-140,000	-	-	2	248,737
140,001-160,000	-	-	1	168,252
Total	78	1,797,321	51	1,023,221

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 2024/25, the Council paid £21.4m to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.68% of pensionable pay. The figures for 2023/24 were £17.6m 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 2024/25, 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 04th September 2025.

In June 2023, the UK High Court (Virgin Media Limited v NTL Pension Trustees II Limited) ruled that certain historical amendments for contracted-out defined benefit schemes were invalid if they were not accompanied by the correct actuarial confirmation. The judgment has now been upheld by the Court of Appeal.

The Local Government Pension Scheme is a contracted-out defined benefit scheme and amendments have been made during the period 1996 to 2016 which could impact member benefits. Work is being performed by the Government Actuary's Department as the Local Government Pension Scheme actuary to assess whether section 37 certificates are in place for all amendments, and some of these have been confirmed. However, at the date of these financial statements, the full assessment is not complete. Until this analysis is complete, the Council is unable to conclude whether there is any impact to the liabilities, the value of retirement benefits under IAS 19 or if it can be reliably estimated. As a result, the Council does not consider it necessary to make any allowance for the potential impact of the Virgin Media case in the financial statements. It should also be noted that since the 31 March 2025 reporting date, the government has now said that legislation will be put in place

for this and there is no expectation that the LGPS will be impacted.

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.

	2023/24	2024/25
	£000	£000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Current service cost	45,027	40,606
Past service cost	61	427
Settlements and curtailments	(3,474)	(1,436)
Total Service Cost	41,614	39,597
Financing and Investment Income and Expenditure		
Expected return on scheme assets	(81,055)	(91,253)
Interest cost	78,709	80,925
Effect of Asset Ceiling Adjustment	3,512	11,429
Net Interest Cost	1,166	1,101
Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services	42,780	40,698
Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement		
Return on plan assets excluding amounts included in net interest	(83,887)	(22,306)
Actuarial (gains)/losses arising from changes in demographic assumptions	(10,179)	(2,939)
Actuarial (gains)/losses arising from changes in financial assumptions	(98,203)	(261,215)
Other Experience adjustments	51,882	(16,165)
Effect of Asset Ceiling Adjustment	158,384	321,908
Total remeasurements recognised in the Comprehensive Income and Expenditure Statement	17,997	19,283
Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement	60,777	59,981
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits	42,780	40,698
Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme)	(62,434)	(64,151)
Total Movement in Reserves	(19,654)	(23,453)

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):

	2023/24	2024/25
	£000	£000
Balance at 1st April	1,667,167	1,680,800
Current service cost	45,027	40,606
Past service costs (including curtailments)	61	427
Effect of settlements	(9,008)	(4,542)
Interest cost	78,709	80,925
Contributions by scheme participants	13,393	13,568
Benefits paid	(58,692)	(60,778)
Effect of business combinations and disposals	643	-
Remeasurements arising from changes in financial assumptions	(98,203)	(261,215)
Remeasurements arising from changes in other assumptions	51,882	(16,165)
Remeasurements arising from changes in demographic assumptions	(10,179)	(2,939)
Balance at 31st March	1,680,800	1,470,687

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

	2023/24	2024/25
	£000	£000
Balance at 1st April	1,705,084	1,882,270
Interest income	81,055	91,253
Effect of settlements	(5,534)	(3,106)
Contributions by scheme participants	13,393	13,568
Employer contributions	62,402	64,151
Effect of business combinations and disposals	675	-
Benefits paid	(58,692)	(60,778)
Other Experience	-	-
Return on plan assets excluding amounts included in net interest	83,887	22,306
Balance at 31st March	1,882,270	2,009,664

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

	2020/21	2021/22	2022/23	2023/24	2024/25
	£000	£000	£000	£000	£000
Present value of funded obligations	(2,390,572)	(2,306,075)	(1,631,155)	(1,646,445)	(1,440,502)
Present value of unfunded obligations	(50,180)	(43,825)	(36,012)	(34,355)	(30,185)
Fair value of assets in the scheme	1,570,021	1,760,111	1,705,084	1,882,270	2,009,664
Asset Ceiling Adjustment	-	-	(73,929)	(235,825)	(569,162)
Surplus/(deficit) in the scheme	(870,731)	(589,789)	(36,012)	(34,355)	(30,185)

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 £30m 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 2026 is £60.0m. The maturity profile is as follows:

Liability Split

Active members	42.8%
Deferred members	16.8%
Pensioner members	40.4%
Total	100.0%

The weighted average duration of the defined benefit obligation for scheme members is 18

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 2024.

The main assumptions used by the actuary have been:

Local Government Pension Scheme	2023/24	2024/25
Mortality assumptions:		
Longevity at 65 for current pensioners (years):		
Men	20.7	20.6
Women	23.7	23.6
Longevity at 65 for future pensioners (years):		
Men	21.5	21.4
Women	25.1	25.1
Benefit entitlement assumptions		
Rate of increase in salaries	3.25%	3.25%
Rate of increase in pensions	2.75%	2.75%
Rate for discounting scheme liabilities	4.85%	5.80%
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:

	2023/24				2024/25			
	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	574		574	0%	1,858		1,858	0%
Manufacturing	-		-	0%	1,752		1,752	0%
Energy and Utilities	1,199		1,199	0%	1,783	13	1,795	0%
Financial Institutions	1,350		1,350	0%	2,105		2,105	0%
Health and Care	1,850		1,850	0%	2,639		2,639	0%
Information Technology	-		-	0%	47		47	0%
Other	1,118		1,118	0%	2,852		2,852	0%
Debt Securities								
UK Government	82,481	203	82,684	4%	73,328	205	73,533	4%
Other	7,561		7,561	0%	10,304		10,304	1%
Private Equity								
All		114,812	114,812	6%		116,268	116,268	6%
Real Estate								
UK Property		121,695	121,695	6%		137,166	137,166	7%
Investment Fund and Unit Trusts								
Equities	798,060	3,382	801,443	43%	848,979	3,595	852,574	42%
Bonds			-	0%	-		-	0%
Hedge Funds	9		9	0%	7		7	0%
Commodities		43,449	43,449	2%	-	40,320	40,320	2%
Infrastructure		161,132	161,132	9%	-	184,890	184,890	9%
Other	216,312	171,558	387,870	21%	248,367	140,999	389,366	19%
Derivatives								
Foreign Exchange	110		110	0%	(10,004)		(10,004)	0%
Cash and Cash Equivalents								
All	149,804		155,415	8%	202,193		202,193	10%
Total	1,260,428	616,231	1,882,270	100%	1,386,209	623,455	2,009,664	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 2025	Approximate % increase to Defined Benefit Obligation	Approximate monetary amount (£000)
0.1% decrease in Real Discount Rate	2%	25,900
0.1% increase in the Salary Increase Rate	0%	1,314
1 Year Increase in Life Expectancy	4%	58,603
0.1% increase in the Pension Increase Rate	2%	25,305

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

The Council has no contingent liabilities to disclose in the 2024/25 accounts.

Note 45 Prior Period Adjustments

These are the following prior period Adjustments

1. During the year ended 31st March 2025, a prior period error was identified relating to the classification of the Adult Social Care grant in the financial year ended 31st March 2024. The error resulted in a classification error of the taxation and non specific grant income received and therefore a classification error in the cost of services for Adult and Children's social care. The error requires restatement of the prior year comparators in the comprehensive income and expenditure statement and related notes in the accounts. The amount for FY23/24 that has been reclassified is £28.1m. This has no effect on the Council's financial position as the result is a net nil adjustment.

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

Original 2023/24				Restated 2023/24				Effect of restatement		
Gross Exp	Income	Net Exp		Gross Exp	Income	Net Exp	Gross Exp	Income	Net Exp	
£000	£000	£000		Note	£000	£000	£000	£000	£000	
196,441	(86,837)	109,604	City Development & Neighbourhoods		196,441	(86,837)	109,604	-	-	-
93,818	(93,320)	498	Housing Revenue Account (HRA)		93,818	(93,320)	498	-	-	-
211,844	(75,522)	136,322	Adult Social Care		211,844	(89,573)	122,272	-	(14,051)	(14,051)
38,383	(41,619)	(3,236)	Health Improvement & Wellbeing		38,383	(41,619)	(3,236)	-	-	-
449,920	(315,153)	134,767	Education & Childrens´ Services		449,920	(329,204)	120,717	-	(14,051)	(14,051)
56,128	(19,082)	37,046	Corporate Resources & Support		56,128	(19,082)	37,046	-	-	-
73,875	(73,424)	451	Housing Benefits		73,875	(73,424)	451	-	-	-
(3,279)	(359)	(3,638)	Corporate Items		(3,279)	(359)	(3,638)	-	-	-
-	(517)	(517)	Capital Financing		-	(517)	(517)	-	-	-
1,117,130	(705,833)	411,297	Cost of Services		1,117,130	(733,934)	383,196	-	(28,101)	(28,101)
	104,684		Other Operating Expenditure	11			104,684			-
	13,323		Financing and Investment Income and Expenditure	12			13,323			-
	-		Surplus or Deficit of Discontinued Operations		-	-	-			
	(423,295)		Taxation & Non Specific Grant Income	13		28,101	(395,194)		28,101	28,101
	106,009		(Surplus) or Deficit on Provision of Services	14			106,009	-	-	

Note 45 Prior Period Adjustments

-	Associates and Joint Ventures Accounted for on an Equity Basis - Authority share of results of associates and joint ventures			
-	Tax Expenses - Corporation Tax Payable		-	
106,009	(Surplus) or Deficit including Associates & Joint Ventures		106,009	
75,341	Surplus or Deficit on Revaluation of Property, Plant and Equipment Assets	26b	75,341	-
-	Surplus or Deficit on Revaluation of Available for Sale Financial Assets		-	
17,997	Remeasurement of the Net Defined Benefit Liability	42	17,997	-
-	Other Gains/Losses		-	
93,338	Other Comprehensive Income & Expenditure		93,338	-
199,347	Total Comprehensive Income & Expenditure		199,347	-

2. During the year ended 31st March 2025, a prior period error was identified relating to the Leisure Centres plant equipment being duplicated in Vehicles, Plant, Furniture and Equipment in the financial year ended 31st March 2024. The error resulted in the property, plant and equipment being overstated. The error requires restatement of the prior year comparators in the property, plant and equipment note and related notes in the accounts. The amount for the financial year 2023/24 that has been restated is £22.9m. This has no effect on the Council's financial position as the property, plant and equipment balance was supported by an equivalent balance in the revaluation reserve.

Note 45 Prior Period Adjustments (continued)

Current Figures in the 23/24 Accounts for VPFE in the PPE note

Movements on Balances in 2023/24	Vehicles, Plant, Furniture & Equipment £000
Cost or Valuation	
As at 1st April 2023	85,217
Additions	2,438
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	-
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(145)
De-recognition – disposals	(1,602)
De-recognition – other	-
Assets reclassified (to)/from Held for Sale	-
Asset reclassified (other)	-
Other movements in cost or valuation	-
As at 31st March 2024	85,908
Accumulated Depreciation & Impairment	
As at 1st April 2023	(30,914)
Depreciation Charge	(8,633)
Depreciation written out to the Revaluation Reserve	-
De-recognition – disposals	1,327
Assets reclassified to/(from) Held for Sale	-
As at 31st March 2024	(38,220)
Net Book Value as at 31st March 2024	47,688

Proposed Changes for the 23/24 changes in the 24/25 comparison for VPFE in the PPE note

Movements on Balances in 2023/24 Restated	Vehicles, Plant, Furniture & Equipment £000
Cost or Valuation	
As at 1st April 2023	85,217
Additions	2,438
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	(26,705)
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	(145)
De-recognition – disposals	(1,602)
De-recognition – other	-
Assets reclassified (to)/from Held for Sale	-
Asset reclassified (other)	-
Other movements in cost or valuation	-
As at 31st March 2024	59,203
Accumulated Depreciation & Impairment	
As at 1st April 2023	(30,914)
Depreciation Charge	(8,633)
Depreciation written out to the Revaluation Reserve	3,815
De-recognition – disposals	1,327
Assets reclassified to/(from) Held for Sale	-
As at 31st March 2024	(34,406)
Net Book Value as at 31st March 2024	24,797

Effect of restatement	Vehicles, Plant, Furniture & Equipment £000
Cost or Valuation	
As at 1st April 2023	-
Additions	-
Revaluation Increases/(Decreases) recognised in the Revaluation Reserve	26,705
Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve	-
De-recognition – disposals	-
De-recognition – other	-
Assets reclassified (to)/from Held for Sale	-
Asset reclassified (other)	-
Other movements in cost or valuation	-
As at 31st March 2024	26,705
Accumulated Depreciation & Impairment	
As at 1st April 2023	-
Depreciation Charge	-
Depreciation written out to the Revaluation Reserve	(3,815)
De-recognition – disposals	-
Assets reclassified to/(from) Held for Sale	-
As at 31st March 2024	(3,814)
Net Book Value as at 31st March 2024	22,891

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.

2023/24		2024/25	
£000		Note	£000
	Income		
(81,969)	Dwelling Rents	5	(88,512)
(357)	Non-dwelling Rents	6	(350)
(10,205)	Service Charges	6	(8,239)
(789)	Contributions & Miscellaneous income		(1,324)
(93,320)	Total Income		(98,425)
	Expenditure		
14,049	General Management		14,458
15,819	Special Management	3	16,049
32,930	Repairs & Maintenance		36,268
2,231	Rent, Rates, Taxes & Other Charges		2,225
278	Increase/ (Decrease) in Bad Debt Provision	4	419
27,649	Depreciation & Impairment of Fixed Assets	12	14,192
60	Debt Management Expenses		60
92	Other Expenditure		88
93,108	Total Expenditure		83,759
710	HRA share of Corporate & Democratic Core		710
498	"HRA Comprehensive Income and Expenditure Line"		(13,956)
498	Net Cost of HRA Services		(13,956)
(420)	(Gain) or Loss on Sale of HRA Assets		190
12,214	Loan Charges - Interest		12,440
(1,781)	Investment Interest		(2,245)
8,784	Pensions - Interest on Liabilities	14	10,222
(8,659)	Pensions - Expected Return on Assets	14	(10,100)
10,636	(Surplus) / Deficit for the Year		(3,449)

Housing Revenue Account (HRA) Statements - Movement in Reserve

2023/24		2024/25	
£000		Note	£000
10,636	(Surplus) / Deficit for the Year (from above)		(3,449)
<u>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</u>			
383	Amounts charged to the HRA for amortisation of Premia and Discounts for the year determined in accordance with statute		383
1,419	HRA share of contributions to/(from) the Pension Reserve	14	2,077
420	Gain or (Loss) on Sale of HRA Fixed Assets		(190)
(27,649)	Depreciation and capital expenditure not adding value for Fixed Assets	12	(14,192)
1,850	Capital Expenditure Financed from Revenue Account	10	24
1,363	HRA Set-Aside (MRP)		1,633
14,323	Transfers to/(from) the Major Repairs Reserve	13	13,965
9	Transfers to/(from) the Employee Benefits Reserve		(42)
(92)	Other Adjustments		(88)
(7,974)	Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance		3,570
2,662	Net (Surplus)/Deficit on the Housing Revenue Account in the year		121
(25,378)	Balance Brought Forward 1st April 2024		(22,716)
(22,716)	Balance Carried Forward 31st March 2025 - (Surplus)/Deficit		(22,595)

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.

5. Net Rent Income from Dwellings

The total rent income comes from the face of the I&E. These are the total net amounts, reflecting voids. Identify HRA HB received (postings to 50235 R6201) - this is the amount for the year in question.

	2023/24	2024/25
	£000	£000
Total Rent income from Dwellings	81,969	88,512
Less Housing Benefit	(25,962)	(24,446)
Total	56,007	64,065

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.

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 2025 was £1.5m (£1.1m at 31st March 2024). This is calculated on a rent and service charge arrears balance of £3.9m (£3.5m in 2024/25).

Housing Revenue Account (HRA) Explanatory Notes (continued)

7. Housing Stock

Changes to Housing Stock:

	2023/24	2024/25
Number of Dwellings at 1st April	19,435	19,370
Acquisitions	140	111
Right to Buy sales	(205)	(146)
Other Disposals	-	2
Number of Dwellings at 31st March	19,370	19,337

8. Value of HRA Assets

	31st March 2024	31st March 2025
	£000	£000
Dwellings	1,216,931	1,246,311
Other Land and Buildings	25,009	24,827
Assets Under Construction	-	-
Vehicles, Plant, Furniture & Equipment	460	-
Surplus Assets	2,242	1,046
Assets Held for Sale	949	2,727
Intangible Assets	-	-
Total	1,245,591	1,274,911

Housing Revenue Account (HRA) Explanatory Notes (continued)

9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31st March 2025 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 2024	31st March 2025
	£000	£000
Vacant possession values	2,897,338	2,967,152

10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2024/25 totalled £43m, financed as follows:

	2023/24	2024/25
	£000	£000
Major Repairs Reserve	14,323	13,073
Use of borrowing	12,261	16,483
Other grants and contributions	3,268	4,597
Usable capital receipts	7,724	9,038
Financing from revenue account	1,850	24
Total	39,426	43,215

11. Capital Disposals

HRA capital disposals in 2024/25 were as follows:

	2023/24		2024/25	
	Total Receipt	Usable/ Retained	Pooled/ Set aside	Total Receipt
	£000	£000	£000	£000
Right to Buy (RTB) sales	(13,499)	(9,002)	(2,893)	(11,895)
Total	(13,499)	(9,002)	(2,893)	(11,895)

Housing Revenue Account (HRA) Explanatory Notes (continued)

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:

	2023/24				2024/25			
	Depreciation	Capital expenditure not adding value	Other Impairments	Total	Depreciation	Capital expenditure not adding value	Other Impairments	Total
	2023/24	2023/24	2023/24	2023/24	2024/25	2024/25	2024/25	2024/25
	£000	£000		£000	£000	£000	£000	£000
Dwellings	13,381	13,370	-	26,751	13,040			13,040
Other Land and Buildings	567	13	(578)	2	557	215		772
Vehicles, Plant, Furniture & Equipment	364	-	-	364	364	-	-	364
Assets Under Construction	-	555	-	555	-	3,213	-	3,213
Surplus Assets	4	-	(34)	(30)	4	11		15
Intangible Assets	7	-	-	7	-	-	-	-
Total	14,323	13,938	(612)	27,649	13,965	3,439	-	17,404

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

	2023/24	2024/25
	£000	£000
Balance at 1st April	-	-
Depreciation credited	(14,323)	(13,965)
Capital expenditure on land, houses and other property	14,323	13,073
Balance at 31st March	-	(892)

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.

	2023/24	2024/25
	£000	£000
Pension costs incurred in Net Cost of Services:		
Current service cost	1,544	2,201
	1,544	2,201
Pension interest cost and expected return on assets:		
Interest on liabilities	(8,784)	(10,236)
Expected return on assets	8,659	10,112
	(125)	(124)
Total Transfer to Pension Reserve	1,419	2,077

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.

2023/24							2024/25		
Council Tax £000	Business Rates £000	Total £000		Note	Council Tax £000	Business Rates £000	Total £000		
Income									
(172,971)		(172,971)	Council Tax Collectable	2	(184,457)		(184,457)		
	(94,872)	(94,872)	Income from Business Ratepayers			(101,540)	(101,540)		
	(5,943)	(5,943)	Transitional Protection payments - Business Rates			(1,095)	(1,095)		
		(273,786)	Total Income				(287,092)		
Expenditure									
Precepts and Demands:									
				3					
144,891		144,891	Leicester City Council		153,587		153,587		
21,598		21,598	Police & Crime Commissioner for Leicestershire		22,842		22,842		
6,268		6,268	Leicestershire & Rutland Combined Fire Authority		6,516		6,516		
		172,757					182,945		
Business Rates:									
				4					
	51,200	51,200	Payments to Government			52,429	52,429		
	1,024	1,024	Payments to Fire			1,049	1,049		
	50,176	50,176	Payments to Leicester City Council			51,380	51,380		
	476	476	Costs of Collection			473	473		
		102,875					105,331		
(154)	10,993	10,839	Contributions in respect of previous year's surplus / (deficit)	6	(1,171)	4,058	2,887		
			Bad and Doubtful Debts:	7					
1,436	1,078	2,514	Write-offs		2,973	2,119	5,092		
1,688	382	2,070	Increase / (Reduction) to provision for bad debts		(1,736)	1,227	(509)		
	(2,986)	(2,986)	Increase / (Reduction) to provision for appeals		-	(3,281)	(3,281)		
		288,068	Total Expenditure				292,464		
2,755	11,526	14,282	Fund (Surplus) / Deficit for the Year		(1,447)	6,819	5,372		
(1,389)	(14,785)	(16,175)	Fund (Surplus) / Deficit brought forward	5	1,366	(3,259)	(1,893)		
1,366	(3,259)	(1,893)	FUND BALANCE AS AT 31st MARCH - (Surplus)/Deficit	1	(81)	3,560	3,479		

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:

	2023/24			2024/25		
	Council	Business	Total	Council	Business	Total
	Tax	Rates		Tax	Rates	
	£000	£000	£000	£000	£000	£000
Leicester City Council	1,146	(1,597)	(451)	(67)	1,745	1,677
Central Government	-	(1,629)	(1,629)	-	1,780	1,780
Leicestershire & Rutland Combined Fire Authority	49	(33)	17	(4)	36	32
Police & Crime Commissioner for Leicester, Leicestershire & Rutland	171	-	171	(10)		(10)
Fund Balance Allocations as at 31st March	1,366	(3,259)	(1,893)	(81)	3,560	3,479

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 2024/25 was £184m including arrears from prior years.

The collectable Council Tax specifically for 2024/25 was £210.5m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£26.2m), the average number of Band D dwellings equates to 80,403. This is a slight increase from the 79,801 dwellings existing when the 2024/25 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-	322	5/9	179	56	123
A	71,342	6/9	47,561	8,789	38,772
B	24,790	7/9	19,281	1,688	17,593
C	14,516	8/9	12,903	814	12,089
D	6,258	9/9	6,258	239	6,019
E	3,278	11/9	4,006	108	3,898
F	1,481	13/9	2,139	39	2,100
G	590	15/9	983	6	977
H	33	18/9	66	0	66
	122,610		93,377	11,739	81,638
Less adjustments for collection rates and other adjustments.					(1,837)
Council Tax Base					79,801

Collection Fund Explanatory Notes (continued)

3. Precepts and Demands

The following sums were paid from the collection fund.

	2023/24 £000	2024/25 £000
Leicester City Council	144,891	153,587
Police & Crime Commissioner for Leicestershire	21,598	22,842
Leicestershire & Rutland Combined Fire Authority	6,268	6,516
Total	172,757	182,945

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 2024 £	31st March 2025 £
Non Domestic Rateable Value	311,267,826	310,694,113

	2023/24	2024/25
Non Domestic Rating Multiplier	51.2p	54.6p
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 deficit of £3.5m at 31st March 2025 (£1.9m surplus at 31st March 2024) for Council Tax and Business Rates.

The deficit arising from business rates is £3.6m (£3.3m surplus at 31st March 2024). The reported deficit is 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 surplus arising on Council Tax is £0.8m (£1.4m deficit 31st March 2024). The surplus 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.

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 2024	982	146	43	1,171

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 2024	(1,989)	(2,029)	(41)	(4,058)

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.

Provisions	Bad Debt Provision			
	Balance at	Bad Debt Write-	Increase/	Balance at
	1st April 2024	offs In year	(Decrease) to	31st March
	£000	£000	Provision	2025
			£000	£000
Council Tax	16,864	(2,973)	1,237	15,128
NNDR	5,923	(2,119)	3,346	7,150
Total	22,787	(5,092)	4,583	22,278

Annual Governance Statement

Leicester City Council Annual Governance Statement 2024-25

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 then summarises the Council's actual governance arrangements.

The remainder of this paragraph describes how the systems, policies and procedures the Council has in place for governance address the seven core principles.

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

Leicester City Council Annual Governance Statement 2024-25 (continued)

2. The Arrangements (continued)

C) The Council defines outcomes in terms of the City Mayor's ten key 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

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:

- Budget Strategy (updated annually)
- Housing Strategy
- Corporate Equalities Strategy
- Climate Emergency Strategy
- Local Transport Plan 2011-2026
- Health Inequalities Improvement Plan
- Anti-poverty strategy
- Waste Management Strategy
- Cultural and Creative Industries Strategy
- Tourism Action Plan
- Street Design Guide

- Active Leicester Strategy 23 - 28
- VCSE Engagement Strategy
- Leicester Tree Strategy

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:

- Governance 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

Leicester City Council Annual Governance Statement 2024-25 (continued)

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.

The Governance & Audit Committee met 8 times during the year, and issues considered included:

- 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
- Ombudsman complaints report
- Health & Safety annual report
- Procurement annual report
- Insurance annual report
- Counter fraud reports
- Strategic & operational risk registers
- Business continuity strategies and policies
- Specific issues (e.g. a cyber-attack experienced by the Council)

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 view is supported by Appendix 3 which demonstrates how the Council complies with the CIPFA Financial Management Code, and by the internal audit opinion which stated:

"The overall opinion of the Head of Internal Audit on the framework of governance, risk management and control operating at the council is that it provides Reasonable Assurance. A "Reasonable Assurance Opinion" means that, overall, there is satisfactory management of risk within the council but with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. The opinion given is based on work that has been undertaken directly by internal audit, and on the cumulative knowledge gained through our ongoing liaison and planning with officers. No reliance was placed on the work of other assurance providers in reaching this opinion. In giving this opinion, there are no significant control weaknesses which, in the opinion of the Head of Internal Audit, need to be considered for inclusion in the annual governance statement."

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 2024-25 (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 2023/24

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Action taken to date:
<p>Financial Sustainability – We set a balanced budget for 2024/25 with the use of one-off resources. At the time:</p> <ul style="list-style-type: none"> a) Reserves were estimated to run out in 2025/26; b) We were facing restricted government funding at a time of increasing costs, and significant cost pressures in adult social care, children's social care and homelessness; c) There was substantial uncertainty about future funding. 	<p>A balanced budget was set for the period 2025/26 to 2027/28, using both recurrent savings and one-off monies. Some limited additional government funding assisted this.</p> <p>An action plan to constrain costs in demand led services resulted in substantial savings (see issues in 2024/25, below), and enabled the adult care budget for 2024/25 to be reduced by £17m in-year.</p>
<p>Demographic growth – Significant ongoing pressures and risks were identified in relation to homelessness, and adults and children's social care.</p>	<p>Investment in new housing units is estimated to have avoided £40m per year in additional cost by 2027/28.</p> <p>Anticipated growth in the costs of children's social care has been successfully moderated.</p>
<p>Cyber Risk – loss or compromise of IT systems and/or associated data through a cyber security attack was seen as a key risk.</p>	<p>See issues in 2023/24, below</p>

Leicester City Council Annual Governance Statement 2024-25 (continued)

Issues Identified in 2024/25

The areas of significant risk or priorities for action that have been identified are listed in the table:

Issue Identified	Actions planned:
<p>Financial Sustainability – We have set a balanced budget for the years 2025/26 to 2027/28 with the use of one-off resources, together with savings/cost constraint measures amounting to £95m per year by 2027/28.</p> <p>However, we need to plan to become financially sustainable on a recurrent basis.</p>	<p>Delivery of savings identified in the budget strategy, and continued cost constraint in demand led services.</p> <p>The Council will continue to monitor its finances, with focus on reviewing budgets and services to achieve the significant level of savings required.</p> <p>The Council will continue to be a prominent voice in the sector and provide feedback as appropriate to government on the challenges faced.</p> <p>Plan to bridge the recurrent budget gap.</p>
<p>Capacity in the Finance Function – As identified by the peer review report, we need to build capacity. A deputy to the DoF has already been appointed.</p>	<p>Training of existing staff and recruitment to fill resource gaps</p>
<p>Local Government Reorganisation – The Government intends to reform local government structures to remove two tier authorities, potentially expanding the boundaries of the city.</p>	<p>Significant piece of work to prepare a detailed proposal to Government and to work with other authorities to ensure we set the groundwork for successful LGR.</p>
<p>Cyber Risk – loss or compromise of IT systems and/or associated data through a cyber security attack. Such attacks are becoming more prevalent and sophisticated.</p>	<p>Vulnerabilities with respect to supply chain management have been addressed. We continue to invest in cyber security and are implementing a new digital operating model that adopts the NCSC “10 Steps to Cyber Security” framework. We have agreed with our internal auditors to take account of this structure during internal audits.</p> <p>The revised DDaT Digital Operating Model considers risk in relation to systems and to data, both in storage and in transit. Cloud adoption is being actively promoted to simplify cyber security where possible.</p>

3 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.

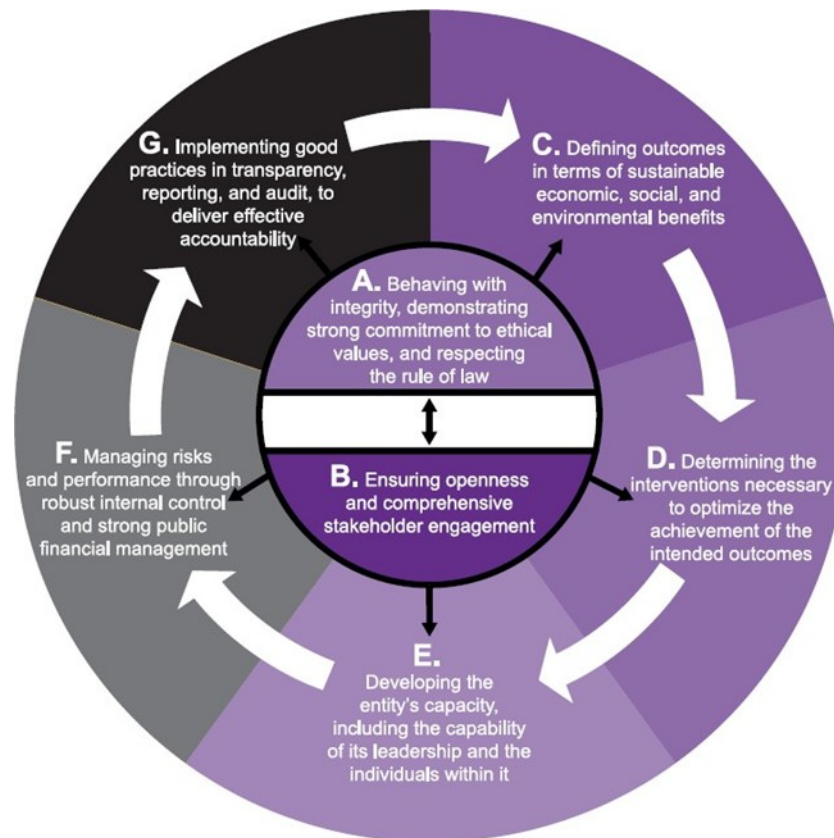
Signed:

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 2024/25.

SUMMARY OF THE COUNCIL’S GOVERNANCE ARRANGEMENTS

<p>Mayor, Executive and Council</p> <ul style="list-style-type: none">• Provide leadership, develop and set policy• Key risks are considered by the Executive three times per year	<p>Decision making</p> <ul style="list-style-type: none">• Executive decisions are recorded on the Council’s website• There is a period of grace in which decisions are open to review	<p>Risk management</p> <ul style="list-style-type: none">• Risk registers identify both operational and strategic risks• Key risks are considered by Corporate Management Team three times per year
<p>Scrutiny and review</p> <ul style="list-style-type: none">• Scrutiny commissions review Council policy and can challenge decisions• Governance & Audit 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	<p>Corporate Management Team (CMT)</p> <ul style="list-style-type: none">• Provides service level management and interface with the political leadership <p>Head of Paid Service is the Chief Operating Officer, who is responsible for all Council</p> <ul style="list-style-type: none">• 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	

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.	<p>Annually this is supported by the external audit value for money opinion.</p> <p>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.</p>
The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	<p>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.</p> <p>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.</p>
The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	The Annual Governance Statement supports the leadership team meeting these requirements. The Statement includes:
The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	<ul style="list-style-type: none"> 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.	<p>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, as is the recurrent budget deficit. This evidences that the Council understands its prospects for financial sustainability in the longer term and this is reported clearly to members.</p> <p>The budget report includes a statement from the Chief Finance Officer on the robustness of estimates and the adequacy of financial reserves.</p> <p>Throughout the year, monitoring is conducted to identify any variations from budget, allowing for corrective action to be taken. Revenue and capital monitoring reports are made periodically to the Overview Select Committee.</p>
The authority has carried out a credible and transparent financial resilience assessment.	
The authority understands its prospects for financial sustainability in the long-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 together with the Treasury Management Strategy and the Investment strategy. These strategies comply with the prudential code. The Council also reports 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.	The Council consults statutory consultees.

CIPFA financial management standard	How the Council demonstrates it complies
The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	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.
The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	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.
The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	
The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	
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.	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.

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.

Glossary (continued)

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.

Glossary (continued)

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.

Glossary (continued)

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).

Glossary (continued)

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-Private Partnership (PPP)

A collaborative agreement between a government entity and a private company of finance, such as hospital, toll road, or schools.

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.

Note References

Note 1	Accounting Policies	Note 24	Provisions
Note 2	Expenditure and Funding Analysis	Note 25	Usable Reserves
Note 3	Accounting standards issued but not yet adopted	Note 26	Unusable Reserves
Note 4	Critical judgments in applying accounting policies	Note 27	Cash Flow Statement - Operating Activities
Note 5	Assumptions Made about the Future and other Major Sources of Estimation Uncertainty	Note 28	Cash Flow Statement - Investing Activities
Note 6	Material Items of Income and Expense	Note 29	Cash Flow Statement - Financing Activities
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Note 9	Adjustments between Accounting Funding Basis under Regulations	Note 32	Officers' Remuneration
Note 10	Movements in Earmarked Reserves	Note 33	External Audit Costs
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Note 22	Assets Held for Sale		
Note 23	Creditors		

[Prepare on client letterhead**]**

Grant Thornton UK LLP
17th Floor
103 Colmore Row
Birmingham
B3 3AG

[Click here and enter date of letter**]**

Dear Grant Thornton UK LLP

Leicester City Council

Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Leicester City Council ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited, for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Authority and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Authority has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Council Dwellings valuations, other Land & Buildings valuations, Investment Property valuations and the net Pension Liability. We are satisfied that the material judgments 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 include identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for International Accounting Standard 19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent;
 - b. none of the assets of the Authority has been assigned, pledged or mortgaged; and
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. 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 unadjusted misstatements schedule included in your Audit Findings Report and attached to this letter. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Authority and its financial position at the year-end/period end. The financial statements are free of material misstatements, including omissions.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiii.** The prior period adjustments disclosed in the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.
- xiv. We have updated our going concern assessment. We continue to believe that the Authority's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Authority means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements;
 - b. the financial reporting framework permits the Authority to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Authority's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Authority's ability to continue as a going concern need to be made in the financial statements
- xv. 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.
- xvi. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority's financial statements in the event of non-compliance.

Information Provided

- xvii. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Authority's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Authority from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. 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.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. 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.
- xxiii. 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.
- xxiv. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which we are aware.
- xxv. 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

- xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Authority's **[**enter Committee name**]** at its meeting on **[**date**]**.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Authority

Appendix 1

Unadjusted Misstatements Current Year 24/25

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000
Schools' cash balances	3,578	(3,578)	3,578
Overstatement of cash balances as February balances were not updated to reflect March balances.			
We deem this to be a deficiency and have raised a recommendation in page 59.			
This error was also identified in the prior year, which is linked to our recommendation on page 52.			
Overall impact of current year unadjusted misstatements	3,578	(3,578)	3,578

Unadjusted Misstatements Prior Year 23/24

Detail	Comprehensive Income and Expenditure Statement £'000	Balance Sheet £'000	Impact on general fund £'000	Reason for not adjusting
PPE revaluations - indexation		PPE (2,537)		Not considered to be material.
We identified that the valuer had not applied an indices to land assets where the land is notionally apportioned out for accounting purposes. For these assets we would deem it appropriate to also apply the building index to the land element, as ultimately that value is derived from the building value. This had resulted in OLB and OLB and Surplus asset closing balances being overstated by £3.416m, which was reported in our 2023/24 Audit Findings Report.		Revaluation reserve 2,537		
To assess the impact on the current year financial statements, we obtained the assets on which this error applied to on and identified the relevant the assets not subject to full revaluation in 2024/25 to which this impact would still apply to.				
This has reduced the impact on 2024/25 closing PPE balances to an overstatement of £2.5m				
Overall impact of prior year unadjusted misstatements	0	0	0	0
Cumulative impact of prior year and current year unadjusted misstatements on 2024/25 financial statements	0	0	0	0

External Audit Report 2024/25 (The Value for Money Report)

Governance and Audit Committee

Decision to be taken by: Governance & Audit Committee

Date of meeting: 17 February 2026

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Claire Gavagan
- Author contact details: claire.gavagan@leicester.gov.uk
- Report version number: 1

1. Summary

- 1.1 To present the report by Grant Thornton on the External Audit Annual Report 2024/25 (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: Claire Gavagan, Assistant Director of Finance

Dated: 6 February 2026

5.2 Legal implications

There are no direct legal implications arising from this report.

Signed: Kevin Carter

Dated: 9 February 2026

5.3 Equalities implications

Under section 149 of the Equality Act 2010, the Council must have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations when making decisions.

The External Audit Annual Report (Value for Money report) provides independent assurance on the Council's financial sustainability, governance and use of resources, but does not itself introduce changes to policies, services or staffing.

There are therefore no direct equality implications arising from this report. Any equality impacts from future decisions taken in response to the auditor's recommendations will be assessed at the appropriate time.

Signed: Equalities Officer, Surinder Singh, Ext 37 4148

Dated: 5 February 2026

5.4 Climate Emergency implications

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

Signed: Phil Ball, Sustainability Officer. Ext. 37 2246

Dated: 9 February 2026

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 2024/25

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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Interim Auditor's Annual Report
Year ending 31 March 2025

25 November 2025



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

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01 Introduction and context

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Introduction

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

Opinion on the financial statements

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

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

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

Auditor's powers

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

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

Value for money

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

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

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

Local government – context

Local government has remained under significant pressure in 2024/25

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National		Past	Present	Future
	Funding Not Meeting Need	The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.	 Financial Sustainability	 Funding Reform
	 Workforce and Governance Challenges	Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.	 External Audit Backlog	 Reorganisation and Devolution
Local				

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. Net expenditure on provision of services was £401m in 2024/25. The Council recognises that it faces significant financial challenges – the net use of the managed reserves strategy in 2024/25 was £21.6m, and the reserves available to support future budgets are rapidly being depleted. The Council is also one of those affected by the government’s plans for Local Government Reorganisation – please see the next page for more information.

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

Grant Thornton Insights – Local Government Reorganisation (LGR)

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National perspectives – devolution and LGR

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

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

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

Local perspectives – LGR in the Leicestershire and Rutland region

Leicester City Council and Leicestershire County Council believe that the best option for Leicester and Leicestershire is a two unitary model, one City, one County, although there is no agreement on whether Leicester City Council’s boundaries will change.

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

Our discussions with the councils in the region indicate there has been collaboration between officers to progress the LGR agenda but there is currently no consensus around a single model. It is likely that three different options will be submitted to government to meet the national timeframe and that government will then select its preferred option.



Grant Thornton insight

What the Council is already doing

- Active participation of Officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- Safeguarding responsible financial decisions in the medium-term including use of reserves.

What the Council should consider

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

02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

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

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	R Significant weakness identified in relation to the medium-term financial challenge and one improvement recommendation around monitoring and reporting.	Two risks of significant weakness identified in relation the medium-term financial challenge and the Dedicated Schools Grant deficit.	R Two significant weaknesses identified and two key recommendations made - one in relation to the medium-term financial challenge and one in relation to the Dedicated Schools Grant deficit.
Governance	A No significant weaknesses identified; three improvement recommendations made covering cyber security, the risk register and an independent member for the Governance and Audit Committee.	No risks of significant weakness identified.	G No significant weaknesses identified and no improvement recommendations raised.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; one improvement recommendation raised in relation to Key Performance Indicators.	No risks of significant weakness identified.	R One significant weakness identified in relation to the Regulator of Social Housing judgement and one key recommendation made. One improvement recommendation raised in relation to performance reporting.

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

Executive Summary

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



Financial sustainability

The Council has made significant strides in improving its medium-term financial position, but continues to face significant challenges and we have raised a key recommendation.

Like many other councils, the Council is seeing its Dedicated Schools Grant deficit increase each year and this is impacting its revenue position through reduced investment interest income. We have raised a key recommendation.

Budget setting assumptions are appropriate. The Council underspent by £15.4m in 2024/25 and is forecasting a £6m underspend for 2025/26. The Council has a track record of achieving planned savings.



Governance

The Council has reasonable risk management and counter fraud arrangements in place, although there is scope to further enhance reporting. Internal Audit arrangements are appropriate, with a new provider starting from August 2024.

Budget setting arrangements are robust and in-year financial reporting is timely, with key information clearly communicated.

Decision-making and leadership are appropriate.



Improving economy, efficiency and effectiveness

Following a regulatory inspection the Council's management of its housing stock was assessed as "*serious failings and significant improvement needed*". While the Council did not fully agree with the findings and has prepared an action plan, this judgement represents a significant weakness in arrangements and we have raised a key recommendation.

There is scope to further develop performance reporting and we have raised an improvement recommendation.

The Council works well in partnership and has appropriate procurement arrangements.

Executive summary – auditor’s other responsibilities

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

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	We anticipate completing our audit of your financial statements and issue an unqualified audit opinion in December 2025, following the Governance and Audit Committee meeting on 17 December 2025. Our findings are set out in further detail on pages 11 to 13.
Use of auditor’s powers	<p>We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014.</p> <p>We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014.</p> <p>We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.</p>



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

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Opinion on the financial statements

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

Audit opinion on the financial statements

We anticipate to issue an unqualified opinion on the Council's financial statements in December 2025.

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

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

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

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

Findings from the audit of the financial statements

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

Our audit work has identified errors in the draft financial statements, which has led to additional work and extended testing.

We have also experienced delays to the completion of the audit due to the Council's draft accounts not accounting for the implementation of IFRS 16, which came into effect 1 April 2024. Management's work on this area is ongoing at the time of writing this report.

We have raised a number of recommendations—some new and others carried forward from prior years—that, if implemented, would improve the quality of draft financial statements and the efficiency of future audits.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report.

Subject to the completion of the work on IFRS 16, our intention is that a final version of our report will be presented to the Council's Governance and Audit Committee on 17 December 2025. Requests for this Audit Findings Report should be directed to the Council.

Other reporting requirements

Annual Governance Statement

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

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

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

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Value for Money – commentary on arrangements

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

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

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

277



Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements

278

We considered how the Council:

Commentary on arrangements

Rating

identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)

In 2024/25 the Council made significant strides in addressing its financial situation, but recognises that challenges remain. The outturn report shows an original General Fund budget of £429.0m, which was revised to £405.1m, with an outturn of £389.7m, an underspend of £15.4m. This was mainly comprised an underspend of £5.4m an Adult Social Care (ASC) and £6.5m on Education and Children's Services. The ASC budget was reduced by £15.7m and the housing and neighbourhoods budgets increased by £16m to reflect ongoing savings and cost pressures. Corporate Budgets were reduced by £25m, to £6.3m, including contingencies of £6m which were not needed, with an outturn of £2.1m. The report shows that the budget changes are largely due to £23.1m of savings being approved in period three of 2024/25. £21.6m of reserves were used in 2024/25 compared to £61.0m planned.

The 2025/26 budget setting report includes reasonable assumptions around increases in demand and costs. The report proposes the use of the £90m capital fund; freeing up £20.1m of earmarked reserves; reducing the capital programme by £13m to reduce the borrowing required; attempting to sell £60m of property (which cannot be used to support revenue expenditure); making ongoing savings of £23m per annum which have been built in to budgets. Considerable additional savings will still be required, with recurring budget gaps of £30.1m in 2025/26; £46.2m in 2026/27 and £68.1m in 2027/28 which would be met from reserves. Reserves would fall to £25.2m, which is around 6% of the 2025/26 budget and would support only one year of the forecast overspending. As a result of underspending in 2024/25 reserves available have increased to £103.8m and are now projected to be £55m at the end of 2027/28, but the projected gap remains, and this level of reserves would not support any further overspending on the scale forecast. The Council recognises the need to continue with its costs mitigation schemes. Despite the progress made this area continues to be a significant weakness in the Council's financial sustainability. We have made a key recommendation on page 20.

R

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

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<div data-bbox="63 654 109 749">279</div> <p>(continued) identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them</p>	<p>The Council is also facing an increasing deficit on its Dedicated Schools Grant, with an in-year deficit of £12.6m taking the cumulative deficit to £22.2m with a forecast that it will be £45m by 31 March 2026. The in-year overspending places an additional financial burden on the Council and represents a challenge in securing financial sustainability. While the Council is now projecting to have reserves of £55m at the end of 2027/28 these are currently needed to address the General Fund forecast gap of £68.1m by 2027/28. We have made a key recommendation on page 21.</p> <p>For 2024/25 the Housing Revenue Account underspent by £3m, with a forecast £10.5m surplus for 2025/26, which will be used to support the revenue position.</p>	<div data-bbox="2364 564 2397 596">R</div>

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

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

Financial sustainability – commentary on arrangements (continued)

	We considered how the Council:	Commentary on arrangements	Rating
280	plans to bridge its funding gaps and identify achievable savings	<p>The Council has been successful in identifying and delivering both cost mitigation and savings schemes. Cost mitigation schemes are not built in to the budget, but are ongoing. The 2025/26 budget setting report notes departmental savings of £12.3m planned in 2025/26, rising to £21.0m in 2026/27 and that a further £59m savings have been identified since the 2024/25 budget was set. The 2024/25 revenue outturn report shows cumulative savings achieved of £5.8m for 2025/26; £9m for 2026/27 and £9.5m for 2027/28. The Revenue Budget Monitoring April-June 2025/26 report states that a total of £15m of the £23m (65%) savings target by 2027/28 has been achieved. The in-year savings target was £12.3m of which £8.7m (71%) has been achieved to date.</p> <p>The approach to identifying savings is robust, with service Directors overseeing their teams in playing a key role in identifying opportunities. Internal and external scrutiny is appropriate, including trade unions. The Council does not report a risk assessment against savings delivery or track in-year savings as it reduces the budget when savings are made, not forecast. Whilst this is not a weakness in arrangements it is something the Council may wish to consider as increasingly difficult decisions are needed.</p> <p>The Council recognises that it needs to continue to focus on this area in order to reduce the planned use of reserves. We have raised a key recommendation on the previous criterion and have therefore rated this criterion as “Red”.</p>	R
	plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	<p>The Council operates a Mayoral system of governance. The Mayor's vision for Leicester from May 2023, when he was elected for a four year term, is supported by 10 priorities. These include - supporting people, supporting communities, a good home and our care services. The budget setting report does not specifically link funding to the priorities, but it is clear that additional funding has been allocated to items such as adult and children's care and homelessness, which underpin some of the priorities. The Housing Revenue Account budget is prioritised, including providing decent homes, improving communities and reducing carbon. These align with the Council priorities.</p>	G

G

No significant weaknesses or improvement recommendations.

A

No significant weaknesses, improvement recommendations made.

R

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

Financial sustainability – commentary on arrangements (continued)

281

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	<p>The Council's financial plan is consistent with other plans, such as workforce, capital and climate change. There are a number of capital projects expected to support the Council's carbon reduction plan.</p> <p>Quarterly capital programme reporting to the Overview Select Committee clearly sets out the reasons for delays to many of the projects. The Council recognises that its plan to use £90m of the capital fund to support revenue expenditure significantly limits resources available to fund capital projects. In 2024/25 the Council incurred £137.7m of capital expenditure against a total budget of £283.1m which spans multiple years not just 2024/25. Reports show the individual schemes comprising the capital programme, including the budget, 2024/25 expenditure, forecast over / under spend, original and forecast completion dates and risk assessment. Some of the schemes have slipped by two or three years, but most delays appear reasonable, with costs within the budget. Appropriate narrative explanations are given. Reporting is appropriate and clearly explains causes of slippage and progress of individual projects.</p>	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	<p>Financial monitoring reports explain the threats and challenges to achieving the budget. Risk Management reports to the Governance and Audit Committee include a Strategic Risk s on financial sustainability, which scores 25 (the highest). The risk is linked to 12 other operational risks. These are, for example, in housing and homelessness and are included in a risk register which includes the information we would expect to see around the likelihood, impact and how the risk is being managed.</p> <p>The budget setting report explains that the budget and MTFS has been compiled on "central forecasts". While it is therefore implied that different scenarios have been explored, these are not set out. This is reasonable, avoiding too much information being reported while being clear that different scenarios have been considered.</p>	G

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

Financial sustainability (continued)

Significant weakness identified in relation to financial sustainability

Key Finding: In previous years we have raised a key recommendation to support the Council in moving to a financial sustainable position.

Evidence: For 2024/25 the Council has made considerable progress in reducing its cost and managing demand in key service areas. This enabled the Council to reduce the use of reserves in 2024/25 from £61.0m to £21.6m. However, the Council is still dependent on one-off non-recurrent items, including the use of capital reserves (£90m) to support its planned revenue spending over the medium term. Recurring budget gaps remain - £30.1m in 2025/26; £46.2m in 2026/27 and £68.1m in 2027/28. The challenges are clearly set out in reports. As a result of underspending in 2024/25 reserves available have increased and are now projected to be £55m at the end of 2027/28, but the projected gap remains, and this level of reserves would not support any further overspending on the scale forecast.

Impact: Despite the progress made this area continues to be a significant weakness in the Council's financial sustainability.

Key recommendation 1

KR1: In order to further reduce the reliance on reserves to balance the revenue budget, the Council needs to continue to identify and deliver both savings and cost mitigation schemes.



Financial sustainability (continued)

Significant weakness identified: Dedicated Schools Grant deficit

Key Finding: As with many councils, the Dedicated Schools Grant (DSG) deficit is growing and represents a significant challenge for the Council. The DSG deficit was £6.0m at 31 March 2023 and £9.6m at 31 March 2024. The in-year deficit for 2024/25 was £12.6m, taking the cumulative deficit to £22.2m. The Council forecasts that this will rise to £45m by 31 March 2026.

Evidence: Officers are discussing a management plan with the Department for Education and are seeking to manage the growth in and complexity of cases and the associated cost.

283

The Council has been successful in reducing the percentage of Education Health Care Plans (EHCPs) it agrees to process from 75% to 55%, without any increase in subsequent tribunals. This is unusual. The Council also advised that it has no backlog in EHCPs and processes around 70% within the 20 week target period - the national average is 50%. This has been achieved by using Education Psychologists more effectively. The Council also engages with schools and parents through a large and strong specialist teaching service.

As a result of General Fund underspending in 2024/25 reserves available have increased and are now projected to be £55m at the end of 2027/28. However, these are currently needed to address the General Fund forecast gap of £68.1m by 2027/28.

Impact: Government has announced its intention to extend the statutory override, allowing councils to treat the DSG deficit as a negative reserve, until 31 March 2028. While this gives the Council more time to manage the DSG deficit, in-year overspending still needs to be paid for and is a drain on the Council's financial resources. It also adversely affects treasury management through lower interest earned or increased interest on borrowing. The increasing deficit, coupled with the decreasing reserves available to meet it, should the need arise, represents a challenge in the Council's arrangements to ensure financial sustainability and we have raised a key recommendation.

Key Recommendation 2

KR2: While the Council now has until 31 March 2028 to contain its Dedicated Schools Grant within budget it needs to ensure that its Management Plan is implemented, capacity in schools is increased as required and demand for placements continues to be managed effectively.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
<div data-bbox="63 678 114 771">284</div> <p>monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud</p>	<p>The Council has reasonable arrangements to manage strategic risks, underpinned by a Risk Management Policy Statement and Strategy. The twice-yearly Risk Management report provided a summary of the Strategic Risk Register and an example of a risk control action plan. There was no evidence of the selection criteria to report examples. We have highlighted an opportunity for the Council to align with best practice in an Insight on page 26.</p> <p>The Council has an adequate Internal Audit function, with a new provider commencing in August 2024. Overall during 2024/25, eight Internal Audit reports were issued, with seven further reports in draft and five reviews still in progress at the time of writing the Head of Internal Audit Annual Report. The Internal Audit provider has stated that more work is in progress than they would usually expect at this point and this is due to the time required to establish and integrate the Internal Audit service, with some audits commencing later in the year due to service pressures within the Council. However, the level of slippage is not excessive.</p> <p>The Council has adequate Counter Fraud arrangements in place. The Governance and Audit Committee receives a mid-year and annual report, although reports do not detail preventive activity. We have highlighted an opportunity for the Council to align with best practice in an Insight on page 26.</p> <p>The annual complaints report is presented to the Governance and Audit Committee. However, the Committee did not receive a similar report on any whistleblowing activity or the outcome of any staff surveys. These can provide “early indicators” of potential issues. There is therefore scope for the Council to better ensure that information relating to whistleblowing concerns and staff survey results, as well as complaints information, are triangulated for the Council to learn from and minimise the likelihood of issues reoccurring. We have raised an Insight highlighting areas where, based on good practice we see elsewhere, the Council could further strengthen arrangements. Please see page 26.</p>	<div data-bbox="2356 749 2407 792">G</div>

G

 No significant weaknesses or improvement recommendations.

A

 No significant weaknesses, improvement recommendations made.

R

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

Governance – commentary on arrangements (continued)

285

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The Council has a robust approach to budget setting. Starting with the prior year budget, known changes, such as pay awards and contractual increases, are adjusted, growth and savings are applied. Engagement includes scrutiny committees, Unison and tenants and leaseholders for the Housing Revenue Account.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	Quarterly finance reports to the Overview Select Committee demonstrate sound budgetary control. Reports are presented in a reasonable timeframe and clearly report the key messages and variances, with further detail in supporting appendices. The City Mayor proposes the budget for Council consideration and approval. Each Strategic Director is responsible for ensuring their departmental budget is not overspent. The Director allocates the budget to individual nominated cost centre managers. Budget accountability is aligned with managerial responsibility. Cost centre managers are responsible for ensuring that their budget is not overspent and are accountable to their directors.	G

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council has reasonable arrangements in place to ensure that appropriate and informed decisions are made, and these are reflected in the Constitution. Our review did not identify an inappropriate tone from the top, with good evidence of Chair leadership at Full Council meetings. The Governance and Audit Committee is a key component of the Council’s corporate governance framework and met eight times during 2024/25. Minutes were clear and concise and there was evidence of discussion and challenge to Councillors and auditors. The Council has appointed one Overview Select Committee and seven Scrutiny Commissions to carry out the scrutiny function.	G

286

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

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

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
<div data-bbox="63 654 109 743">287</div> <p>monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour</p>	<p>The Council has reasonable arrangements to ensure compliance with legislative and regulatory requirements.</p> <p>The arrangements for making a complaint that an Elected or co-opted Member of the Council has failed to comply with the Council’s Code of Conduct under the Localism Act 2011 were revised during 2024/25. The Council’s procedure is dated July 2017. The Council may wish to address this.</p> <p>Councillors’ profile pages include a Declaration of Interest and Gifts and Hospitality received. Most forms required Gifts and Hospitality with a value in excess of £50 to be declared, although at least one form stated items with a value in excess of £25. In addition, the value of the gift or hospitality has been revised in the Constitution from £25 to £50, although this is not consistent throughout the document. The Council may wish to address this inconsistency.</p> <p>The Council’s arrangements to ensure that it meets legislative and regulatory standards where it procures or commissions services are detailed in the Councils Constitution. However, this does not refer to the Procurement Act 2023. An Internal Audit of compliance with the Act is scheduled for 2025/26.</p> <p>The issues noted above are comparatively minor procedural issues which we have identified and the Council may wish to resolve. However, arrangements overall are appropriate.</p>	<div data-bbox="2364 682 2395 714">G</div>

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

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

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of risk management and counter fraud and we have not raised a recommendation. However, the Council could challenge itself to go further, based on the best arrangements we see across the sector.

What the Council is already doing



- The Council's Corporate Risk Register is presented to the Governance and Audit Committee twice a year as a summary of risks which may affect the Council's achievement of its strategic objectives. An example of a completed risk control action plan is shared with the summary, although there is no evidence of the selection criteria for risks to report as examples.
- Counter Fraud activity is reported to the Governance and Audit Committee twice a year with a mid-year report and an annual report. Reports detail the activity of the Counter Fraud Team and the savings to the Council, although reporting does not mention any training or preventative work undertaken.

The Council could consider

To strengthen governance arrangements, improve oversight, and provide further opportunity for meaningful discussion, the Council could:



- Develop a methodology to select strategic risks to report to the Governance and Audit Committee. This could use the current and target risk score as an indicator or may involve a schedule which ensures each risk is presented at least once a year.
- Include in reporting any Counter Fraud preventive activity the Council is undertaking. For example, the International Fraud Awareness week, training and awareness sessions offered, policies in place and reviewed to support the prevention of fraud.
- Reviewing the reporting arrangements of key information such as complaints, whistleblowing concerns, as well as other items such as staff survey results to enable triangulation of information and identify key learning to alert the Council to any risks of significant breaches of internal control and minimise the likelihood of issues reoccurring.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
289 uses financial and performance information to assess performance to identify areas for improvement	<p>Our review of Full Council and Committee meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are presented on a regular basis. However, there was evidence of performance being reported to Scrutiny Commissions, and that areas for improvement are addressed, such as Social Care Reviews that are more than 12 months overdue.</p> <p>There was no evidence of any arrangements to assess the quality of data reported in performance reports. There remains scope to develop an approach to drive data quality and we have raised an improvement recommendation to include this. Please see page 32.</p> <p>There is evidence that the Council learns from other organisations to identify areas for improvement, such as engagement in learning events, webinars and reflection sessions held nationally and regionally regarding the pilot phase of the social care reform programme.</p>	A

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

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

290

We considered how the Council:		Commentary on arrangements	Rating
evaluates the services it provides to assess performance and identify areas for improvement (housing only)		The Government’s Regulator of Social Housing carried out an inspection of housing properties owned by Leicester City Council in July 2025 and due to issues identified, the Council received a consumer standards rating of C3 which means there are “serious failings and significant improvement is needed”. Issues included 70% of properties had not had an electrical safety test, the last comprehensive survey of hazards had taken place in 2009, there was a weakness in the provision of timely repairs and maintenance service and there were concerns over the Council’s complaints handling. The review also identified that over 52% of complaints received over a 12 month period related to housing matters. The Council considers this judgement to be harsh, but has prepared a response to the points raised. However, due to the C3 grading by the regulator, we have identified this as a significant weakness in arrangements, and we have raised a key recommendation in relation to non-compliance with the Government’s regulations for social housing. Please see page 31.	R
	evaluates the services it provides to assess performance and identify areas for improvement (other – including Children and Adult Social Care)	Children’s Services was inspected by Ofsted in September 2024 and received a grade of "Requires Improvement to be Good". The Children, Young People and Education Scrutiny Commission received the Ofsted ILACS report (inspecting local authority children’s services) and improvement plan in February 2025, evidencing work had been undertaken since the inspection. In July 2025 the Care Quality Commission (CQC) published the Council’s assessment report, rating it as "Requires Improvement" with a score of 56% (62% would be "Good"). The report noted areas of good performance and those that need to improve - broadly around improving consistency to ensure that everyone benefits from the highest levels of service provided. As the Council has responded appropriately to these reports, including reporting progress to Members, we have not made any recommendations. We have however rated this as “Amber” noting recommendations made by Ofsted.	A
G		No significant weaknesses or improvement recommendations.	
A		No significant weaknesses, improvement recommendations made.	
R		Significant weaknesses in arrangements identified and key recommendation(s) made.	

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

We considered how the Council:	Commentary on arrangements	Rating
291 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	<p>The Council has engaged with stakeholders and partners when developing strategic priorities. The Council participates in stakeholder engagement through consultation, representations and petitions and has a dedicated webpage for Consultations and Engagement, detailing recently closed and open consultations, along with links to any surveys. There is evidence that the Council gives feedback to its stakeholders following any consultation, with the outcomes detailed in a user-friendly format of ‘we asked, you said, we did’.</p> <p>Activity of key partnerships is reported, with details of the Leicester and Leicestershire Enterprise Partnership (LLEP) reported as part of the Annual Accounts 2023/24, including the total operating income and expenditure. LLEP is formally constituted as a limited company, comprising local government and business leaders, together with senior education and third sector representatives, with a remit to create economic prosperity in Leicester and Leicestershire. LLEP remained dormant until 31st-March 2024 and then from 1st April 2024, the City Council became the lead authority and as such oversees LLEP finances.</p>	G

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

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

We considered how the Council:		Commentary on arrangements	Rating
292	commissions or procures services, assessing whether it is realising the expected benefits	<p>The Council is aware of the new Procurement Act 2023 and requirements for contract management are described in the Council’s Constitution, although there is no indication of how the performance of a contract or contractor will be monitored or reported. The Council confirmed it is working through the requirements of the Act and that contracts are managed by Divisions. We note that Contract Management is included on the Internal Audit work programme for 2025/26; therefore, we have not raised an improvement recommendation.</p> <p>The Council monitors capital projects through the Overview Select Committee. Project delays are attributable to instability in the construction industry, limited contractor capacity and continued inflationary pressures, with contingencies in place. The Council will need to consider the impact Local Government Reorganisation has upon capital projects.</p> <p>The Council is not engaged in any procurement shared service or collaboratives, although we note the Council has entered into pooled budget arrangements under Section 75 of National Health Services Act 2006. These include:</p> <p>1) Supply of Integrated Community Equipment Loan Services (ICELS), an arrangement for the supply of community equipment with Leicestershire County Council, Rutland County Council and NHS Leicester, Leicestershire and Rutland Integrated Care Board (ICB) in the areas covered by the councils. Leicester City Council acts as the host partner and contributed £0.67m to the pool during 2024/25.</p> <p>2) The Better Care Fund, an arrangement between Leicester City Council and the 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 City Council contributed £20.9m to the pool in 2024/25.</p> <p>We have not noted any weakness in the Council’s arrangements to monitor these agreements.</p>	G
		G No significant weaknesses or improvement recommendations.	
		A No significant weaknesses, improvement recommendations made.	
		R Significant weaknesses in arrangements identified and key recommendation(s) made.	

Improving economy, efficiency and effectiveness (continued)

Significant weakness identified in relation to management of the Council's housing stock

Key Finding: The Government's Regulator of Social Housing carried out an inspection of housing properties owned by the Council in July 2025 and due to issues identified the Council received a consumer standards rating of C3 which means there are “*serious failings and significant improvement is needed*”.

Evidence: Issues found included:

- 70% of properties owned by the Council had not had an electrical safety test at the time of the visit.
- The Council was unable to evidence the properties were free of category one hazards as the last comprehensive survey took place in 2009. Hazards can include mould, asbestos, fall risks, overcrowding and fire and electrical hazards.
- There was a weakness in the Council's provision of an effective, efficient and timely repairs and maintenance service.
- There were concerns over the Council's complaints handling.

The Council considers that the Housing Regulator and Consumer Standards were only introduced in 2024 and were very challenging to achieve in the first year for this size of housing stock. The Council also considers that the housing stock is in good condition and safe, supported by its own internal inspections and processes, and that it had already identified all of the issues the Regulator identified. The Council believes that 99.5% of its properties meet the Decent Homes Standards and it is on track to meet the Electrical Installation Condition Report (EICR) five year inspection target. The Regulator noted that the Council had not used the Housing Health and Safety Rating System, and felt that this would provide better oversight.

Impact: Residents need to be assured that their homes are safe. The Council has developed responses to each of the points the Regulator raised and is committed to ensuring and demonstrating its housing stock is of appropriate quality.

Key recommendation 3

KR3: The Council needs to ensure there are sufficient resources to deliver the robust plan the Council has developed to ensure it improves its management of social housing properties to become compliant and sustain compliance with the Government's regulations for social housing. The Council must ensure that there are appropriate governance arrangements in place to monitor and oversee the delivery of the plan, ensuring that oversight and accountability are appropriate and kept well informed of progress, challenges and success.

Improving economy, efficiency and effectiveness (continued)

Area for Improvement: performance reporting

Key Finding: Our review of publicly available meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are prepared and presented on a regular basis.

Evidence: There is evidence of performance being reported to Scrutiny Commissions, for example, the Adult Social Care (ASC) Scrutiny Commission receive reports on performance, with a report on Adult Social Care reviews presented in July 2024.

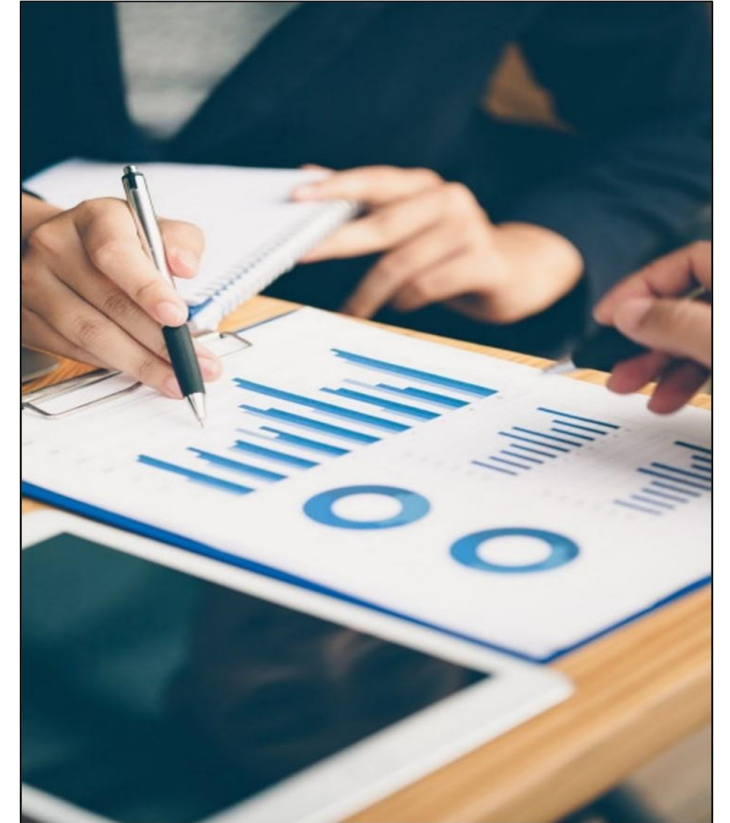
The Council does not set out how it intends to ensure data quality.

Impact: The absence of regular publicly available corporate performance reports, underpinned by robust data quality, hinders decision making and weakens transparency.

Improvement Recommendation 1

IR1: To ensure the Council has sufficient overview of performance to enable decision making, we recommend:

The Council publicly reports on progress against key performance indicators (KPI) linked to its key strategic priorities. Reporting should identify a performance target or minimum threshold, detail changes in performance over the previous 12 months and benchmark performance appropriately. The report should provide assurance against the quality of data used in the report. The Council may need to agree an approach to test and validate data using an approved method.



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

Key recommendations raised in 2024/25

296

Recommendation		Relates to	Management Actions
KR1	In order to further reduce the reliance on reserves to balance the revenue budget, the Council needs to continue to identify and deliver both savings and cost mitigation schemes.	Financial sustainability (page 20)	Actions: The Council has made significant improvement in reducing its financial budget and recognises this is a continued key strategic priority. Responsible Officer: Amy Oliver Due Date: Ongoing
KR2	While the Council now has until 31 March 2028 to contain its Dedicated Schools Grant within budget it needs to ensure that its Management Plan is implemented, capacity in schools is increased as required and demand for placements continues to be managed effectively.	Financial sustainability (page 21)	Actions: We will continue to implement and review progress in the High Needs Block recovery plan and to review this as reforms are announced by government to address the broken SEND system. Responsible Officer: Laurence Jones Due Date: Ongoing

Key recommendations raised in 2024/25

297

Recommendation	Relates to	Management Actions
<p>KR3 The Council needs to ensure there are sufficient resources to deliver the robust plan the Council has developed to ensure it improves its management of social housing properties to become compliant and sustain compliance with the Government’s regulations for social housing. The Council must ensure that there are appropriate governance arrangements in place to monitor and oversee the delivery of the plan, ensuring that oversight and accountability are appropriate and kept well informed of progress, challenges and success.</p>	<p>Improvement economy, efficiency and effectiveness (page 31)</p>	<p>Actions: The Council is already taking action in relation to the findings of the housing regulator and will continue to do this. In addition, the Council is setting up a programme management office that will have oversight of recommendations from all inspections.</p> <p>Responsible Officer: Richard Sword</p> <p>Due Date: Ongoing process which is monitored and overseen in conjunction with the regulator.</p>

Improvement recommendations raised in 2024/25

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	Recommendation	Relates to	Management Actions
IR1	<p>To ensure the Council has sufficient overview of performance to enable decision making, we recommend:</p> <p>The Council publicly reports on progress against key performance indicators (KPI) linked to its key strategic priorities. Reporting should identify a performance target or minimum threshold, detail changes in performance over the previous 12 months and benchmark performance appropriately. The report should provide assurance against the quality of data used in the report. The Council may need to agree an approach to test and validate data using an approved method.</p>	Improvement economy, efficiency and effectiveness (page 32)	<p>Actions: The Council recognised the importance of data in measuring performance and will consider how this is reported.</p> <p>Responsible Officer: Alison Greenhill</p> <p>Due Date: September 2026</p>

06 Follow up of previous Key recommendations

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Follow up of 2023/24 Key recommendations

Prior 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 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.

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KR1

Follow up of 2023/24 Key recommendations

		Raised	Progress	Current status	Further action
301	KR1	2023/24	For 2024/25 the Council has made considerable progress in reducing its cost and managing demand in key service areas. This enabled the Council to reduce the use of reserves in 2024/25 from £61.0m to £21.6m. However, the Council is still dependent on one-off non-recurrent items, including the use of capital reserves (£90m) to support its planned revenue spending over the medium term. Recurring budget gaps remain - £30.1m in 2025/26; £46.2m in 2026/27 and £68.1m in 2027/28. The challenges are clearly set out in reports. As a result of underspending in 2024/25 reserves available have increased and are now projected to be £55m at the end of 2027/28, but the projected gap remains, and this level of reserves would not support any further overspending on the scale forecast. Despite the progress made this area continues to be a significant weakness in the Council's financial sustainability.	Replaced with new key recommendation 1.	Yes

07 Appendices

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Appendix A: Responsibilities of the Council

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

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

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

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

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

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

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

Phase 1 – Planning and initial risk assessment


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

Phase 2 – Additional risk-based procedures and evaluation

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

Phase 3 – Reporting our commentary and recommendations

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

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

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

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

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

Information that informs our ongoing risk assessment

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

Appendix C: Follow up of 2023/24 improvement recommendations

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	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should implement more formal governance processes and mechanisms for tracking, challenging and reporting on the financial savings required to balance the MTFS.	2023/24	<p>The approach to identifying savings is robust, with service Directors overseeing their teams in playing a key role in identifying opportunities. Internal and external scrutiny is appropriate, including trade unions.</p> <p>The Revenue Budget Monitoring April-June 2025/26 report to September Overview Select Committee show that, to date, a total of £15m of the £23m savings target by 2027/28 has been achieved. The in-year savings target was £12.3m of which £8.7m has been achieved to date, so good progress.</p>	Recommendation closed.	No
IR2	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.	2023/24	<p>The Draft Annual Governance Statement (AGS) was shared with the Governance and Audit Committee in July 2025 and reported areas of significant risk or priorities for action, including Cyber Risk. The Draft AGS states that vulnerabilities with respect to supply chain management have been addressed and the Council continue to invest in Cyber Security and is implementing a new digital operating model that adopts the National Cyber Security Centre 10 steps to Cyber Security Framework. Internal Auditor will take this into account as part of delivering their work, and we note that two reviews relating to cyber security are included on the Internal Audit work programme for 2025/26, with one focusing on user awareness and training, and the other on vulnerability management.</p>	Recommendation closed.	No

Appendix C: Follow up of 2023/24 improvement recommendations

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Prior Recommendation		Raised	Progress	Current position	Further action
IR3	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.	2023/24	<p>Our review found that the Corporate Risk Register update reports show meaningful information is presented to Governance and Audit Committee.</p> <p>There is evidence that the Governance and Audit Committee is informed of any changes to the Strategic Risk Register, for example, in March 2025 no new strategic risks had been identified and two risks had been consolidated due to the similarities of the risks and the impacts identified. In addition, one risk score had increased from 15 to 20 since the last report.</p>	As this is unlikely to lead to a significant weakness, we have replaced this recommendation with an Insight of how the Council could further improve its arrangements.	No

Appendix C: Follow up of 2023/24 improvement recommendations

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	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	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.	2023/24	<p>This is already included in the terms of reference and consideration will be given to recruiting an independent member during 2025/26.</p> <p>As the Council is considering appointing an additional independent member and this is unlikely to lead to a significant weakness we have closed this recommendation.</p>	Recommendation closed.	No
IR5	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.	2023/24	Our review of publicly available meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are prepared and presented on a regular basis.	Refreshed with new improvement recommendation 1.	Yes.

Appendix C: Follow up of 2023/24 improvement recommendations

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IR6

Prior Recommendation	Raised	Progress	Current position	Further action
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.	2022/23	<p>Our review this year did not evidence that this has been implemented.</p> <p>Review of the Summary register presented in March 2025 shows a clear and concise overview of the risks, including the previous and current risk score and target score, the risk owner and the risk response, will all risks labelled for treating.</p> <p>Details of the controls, gaps in controls, assurances and gaps in assurance and action taken and planned are not detailed in the summary of risks. The example of a completed risk control and action plan provides further detail. However, in March 2025, the example reported only had a risk score of nine compared to others scoring 20, and there is no evidence of the methodology for selection of risks to use as examples.</p>	As this is unlikely to lead to a significant weakness, we have replaced this recommendation with an Insight of how the Council could further improve its arrangements.	No

Appendix C: Follow up of 2023/24 improvement recommendations

Prior Recommendation

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.

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IR7

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.

Appendix C: Follow up of 2023/24 improvement recommendations

	Raised	Progress	Current position	Further action
IR7	2022/23	Our review of publicly available meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are prepared and presented on a regular basis.	Refreshed with new improvement recommendation 1.	Yes.



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