

Leicester
City Council

MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

DATE: MONDAY, 13 JULY 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 Manjit Kaur Saini (Chair)
Councillor Sarah Russell (Vice-Chair)

Councillors Bajaj, Joel, Dr Moore, Rae Bhatia, Karavadra Patrick 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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- ✓ where filming, to (via the Chair of the meeting) ensure that those present are aware that they may be filmed and respect any requests to not be filmed.

Further information

If you have any queries about any of the above or the business to be discussed, please contact Sharif Chowdhury on 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

Item 3

(Pages 1 - 6)

The minutes of the meeting held on 16 March 2026 are attached and Members will be asked to confirm them as a correct record.

4. MEMBERSHIP OF THE COMMISSION 2026/27

Members will be asked to note the membership of the committee for 2026/27 as follows:

Councillor Manjit Kaur Saini - Chair
Councillor Sarah Russell – Vice-Chair
Councillor Deepak Bajaj
Councillor Ashiedu Joel
Councillor Lynn Moore
Councillor Hemant Rae Bhatia
Councillor Geeta Karavadra
Councillor Patrick Kitterick
Independent member – Seema Jaffer
Independent member – Mohammed Chunara

5. DATES OF MEETINGS FOR THE COMMISSION 2026/27

Members will be asked to note the meeting dates of the committee for 2026/27 as follows:

Monday 13 July 2026
Wednesday 16 September 2026
Wednesday 18 November 2026
Monday 25 January 2027
Wednesday 10 March 2027

6. EXTERNAL AUDIT PLAN AND RISK ASSESSMENT **Item 6**
(Pages 7 - 48)

The Director of Finance submits the External Audit Plan and Risk Assessment 2025/26 report to the Governance and Audit Committee.

The Committee is asked to note the contents of the report and make any comments and to consider the Audit Pan 2025/26 at Appendix 1.

7. DRAFT STATEMENT OF ACCOUNTS AND ANNUAL GOVERNANCE STATEMENT 2025/26 **Item 7**
(Pages 49 - 226)

The Director of Finance submits the Draft Statement of Accounts and Annual Governance Statement 2025/26 report to the Governance and Audit Committee.

The Committee is asked to consider the:

- Draft Annual Statement of Accounts for 2025/26 at appendix 1.
- Draft Annual Governance Statement 2025/26 at appendix 1.

8. HOUSING REGULATOR OF SOCIAL HOUSING - GOVERNANCE **Item 8**
(Pages 227 - 232)

The Director of Housing submits the Governance and Assurance Arrangements – Regulator of Social Housing Improvement Programme to the Governance and Audit Committee.

The Committee is recommended to:

1. Note the governance and assurance arrangements in place to oversee delivery of the RSH Performance Improvement Plan; and
2. Take assurance that appropriate frameworks are in place to monitor progress, manage risk and provide Member oversight.

9. COUNTER FRAUD ANNUAL REPORT 2025/26 (INCLUDING ANNUAL NATIONAL FRAUD INITIATIVE 2025/26) **Item 9**
(Pages 233 - 246)

The Director of Finance submits the Counter Fraud Annual Report 2025/26 (including Annual National Fraud Initiative 2025/26) to the Governance & Audit Committee.

The Committee is recommended to note the counter fraud activity completed during 2025/26.

10. HEAD OF INTERNAL AUDIT SERVICE ANNUAL REPORT 2025/26 **Item 10**
(Pages 247 - 278)

The Head of Internal Audit submits the Head of Internal Audit Service Annual Report 2025/26 to the Governance and Audit Committee.

The Committee is recommended to:

2.1.1 Note the results of internal audit work undertaken, and the opinion of the Head of Internal Audit that Reasonable Assurance can be provided on the adequacy and effectiveness of the council's framework of governance, risk management and internal control.

2.1.2 Note the outcome of Veritau's quality assurance and improvement programme, including the confirmation that the internal audit service conforms to public sector internal auditing standards.

2.1.3 Note that no significant control weaknesses have been identified by internal audit during the year which are considered relevant to the preparation of the Annual Governance Statement.

11. INSURANCE ANNUAL REPORT 2025/26

Item 11

(Pages 279 - 286)

The Director of Finance submits the Insurance Annual Report 2025/26 to the Governance and Audit Committee.

The Committee is recommended to note the contents of the report, and the Council's approach to ensuring it is managing the financial risk associated with insurance claims.

12. ANY OTHER URGENT BUSINESS

- The council's approach is governed by two primary documents, which remain unchanged for 2026 as they continue to meet industry standards.
- The Risk Management Policy & Strategy (Appendix 1) sets the framework for identifying, responding to and managing key risks and also defines the council's risk appetite and strategic objectives.
- The second document, the Business Continuity Policy & Strategy (Appendix 2) establishes the mechanisms for restoring and continuing services.
- The Committee were informed that the divisional directors maintain individual risk registers which feed into the Council's Strategic and Operational Risk Registers and high-level risks, for anything scored between 15 and 25, are reported directly to the committee.
- Members were informed that there are approximately ten training sessions held annually to embed risk management across the organisation, and there are eight specialised sessions per year are dedicated to plan owners, managers and responders.
- It was also noted that risk assessments are integrated into the procurement process to determine appropriate insurance and indemnity limits.
- Members were informed that a high-level Incident Response Plan was recently tested on the 29th of January 29th involving managers, directors and heads of service.
- The council maintains specific plans for 40 critical services, and these are reviewed annually or whenever significant changes such as high levels of staff turnover occur. Over a two-year cycle all 40 critical services undergo scenario-based testing to validate their assumptions and plans.

RESOLVED

1. That the updated Corporate Risk Management Policy Statement and Strategy (appendix 1) be noted. This sets out the council's attitude to risk and the approach to be adopted to manage the challenges and opportunities in relation to the Council's strategic objectives.
2. That the Corporate Business Continuity Management Policy Statement and Strategy (appendix 2) which provides a framework to consider and manage disruptions to service delivery, and sets out the council's attitude, perception and approach towards implementing business continuity practices, be noted.

5. RISK MANAGEMENT UPDATE

The Risk Management Manager, Sonal Devani, presented on the Council's Strategic and Operational Risk Registers. The report outlined the current risk landscape as part of the Council's commitment to robust corporate governance and key updates included:

- It was reported that there were no new strategic risks were identified during this reporting period for Strategic Risk Register (Appendix 1).
- Four new risks were added to the operational risk register on noted on

paragraph 4.13, page 58, including adoption of new technologies within Corporate Services, data loss, impacts of Local Government Reorganisation (LGR) and impacts on market sustainability.

- It was highlighted that the operational risk relating to the Children's Social Work and Early Help workforce increased from 16 to 20.
- It was also noted that no risks were removed from the registers during this period.

A member raised a point regarding the strategic risk register, the following points were raised from the discussion:

- A member highlighted that most risks were categorised as "Treat", focussing on the internal Council actions.
- The member challenged the effectiveness of "Treat" actions where risk scores remain high for multiple years and argued that for good governance, the committee needs to see a clearer link between completed actions and a measurable reduction in risk rather than allowing risks to sit a high level indefinitely.
- Richard Sword, Strategic Director for City Development & Neighbourhood Services, clarified that strategic risks by their nature are long-term, and highlighted an example that Housing may remain on the risk register for more than five-years before any changes are reflected on the strategic risk register. While treatment is "in progress", the scale of the programme means the overall risk score will not drop until the long-term objectives are met.
- The Director of Corporate Services informed committee that risk owners will provide further context and information within the reports going forward.

RESOLVED

1. The Governance and Audit Committee noted the SRR and ORR, and in particular any updates made to the strategic and operational risks.

6. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI-ANNUAL PERFORMANCE JULY-DECEMBER 2025

Vanessa Maher Smith, Information Governance & Risk and Data Protection Officer, presented the Regulation of Investigatory Powers Act 2000 – Bi-Annual Performance July-December 2025.

- The Committee received a bi-annual update regarding the Council's compliance with the Regulation of Investigatory Powers Act 2000 (RIPA) for the period of July to December 2025.
- For the six-month period identified, the Council utilised zero Directed Surveillance and zero Communications Data Authorisations.
- The Council continues to adhere to all statutory requirements including the submission of mandatory figures to the Investigatory Powers Commissioner's Office (IPCO).
- It was confirmed that the IPCO has received and endorsed the Council's

reported figures for the previous year.

- It was also noted that training was delivered throughout 2025 for key officers. It was clarified that whilst the Council does not actively use its powers under RIPA, officers were made aware of the requirements.

The Chair invited questions from the Committee. There were no further questions raised by members of the committee.

RESOLVED

The Governance and Audit Committee received the report and noted its contents.

7. INTERNAL AUDIT UPDATE AND INTERNAL AUDIT PLAN 2026/27

The Head of Internal Audit, Connor Munro presented the Internal Audit Update and Internal Audit Plan 2026-27 to the Governance and Audit Committee and raised the following points:

- The Head of Internal Audit explained that the purpose of the report is to allow the committee to review and approve the internal audit work programme for 2026/27.
- Members were informed that there had been previous consultation with members of the committee, the public governance panel, strategic directors and director of management teams across the organisation and views have been factored into the report to build a balanced and considered programme.

The following points were raised by members:

- A member noted that polygamous working is high up on the strategic list and asked if there was a concern.
- The Head of Internal responded that it was a suggestion previously from the committee as a potential area of concern which is being investigated to explore the council's arrangements.
- The Director of Finance also highlighted that the Council has processes and controls in place including taking part in the National Fraud Initiative.

RESOLVED

The Governance & Audit Committee approved the 2026/27 internal audit work programme.

8. FINANCE UPDATE - STATEMENT OF ACCOUNTS

Ben Matthews, Finance Technical Specialist, presented the Finance Update – Statement of Accounts report to the Governance and Audit Committee.

RESOLVED

The Governance and Audit Committee noted the report.

9. ANNUAL REVIEW OF THE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE

Ben Matthews, Finance Technical Specialist, presented the Annual Review of the Council's Local Code of Corporate Governance report to the Governance and Audit Committee.

RESOLVED

The Governance and Audit Committee approved the Local Code of Corporate Governance 2026/27, at Appendix 1.

10. COMMITTEE'S ANNUAL WORK PERFORMANCE REPORT 2025/26

Ben Matthews, Finance Technical Specialist, presented the Committee's Annual Work Performance Report 2025-26 report to the Governance and Audit Committee.

RESOLVED

The Governance and Audit Committee approved the report for submission to the Council.

11. ACTION TRACKER

There were no further updates.

12. ANY OTHER URGENT BUSINESS

There being no further business, the meeting closed at 18.15pm.

External Audit Plan 2025/26

Governance and Audit Committee

Decision to be taken by: N/A

Date of meeting: 13th July 2026

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Ben Matthews
- Author contact details: Ben.Matthews@leicester.gov.uk
- Report version number: 1.0

1. Summary

1.1. To present Grant Thornton's external audit plan for 2025/26 to the committee.

2. Recommendations

2.1. The Committee is asked to note the contents of the report and make any comments.

2.2. The Committee is asked to consider the:

1.1.1. Audit Pan 2025/26 at Appendix 1.

3. Background

3.1. The external audit plan outlines the work Grant Thornton will undertake to allow the Council's Statement of Accounts to be presented to the Governance & Audit Committee for approval and issue the audit findings report.

4. External Audit 2025/26

4.1. The external audit commenced on 29 June 2026. Any recommendations made will be reported to this committee, along with any alterations required to the draft Statement of Accounts.

4.2. Due to the issues being experienced in the local authority audit sector, the usual statutory deadlines have been extended and the final audited accounts are not required to be completed until the 31st January 2027. However, the Council and the auditors have been working proactively together to bring some work forward as part of the interim audit and the Council is working closely with Grant Thornton to present a final set of accounts by the end of November, although it should be noted that the accounts cannot be completed until the Leicestershire County Council Pension Fund has been audited.

4.3. The Council has also made significant progress in implementing the recommendations arising from the previous year's audit. An update on the actions taken is set out in the detailed action plan included within the Audit Plan at Appendix 1.

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

6.1 Financial implications

This report is exclusively concerned with financial issues.

Claire Gavagan, Assistant Director of Finance
2 July 2026

6.2 Legal implications

There are no direct legal implications arising from this report.

Kevin Carter, Head of Law (Commercial, Property and Planning)
3 July 2026

6.3 Equalities implications

There are no direct equalities implications arising out of this report.

Equalities Officer, Surinder Singh, Ext 37 4148
30 June 2026

6.4 Climate Emergency implications

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

Phil Ball, Sustainability Officer
2 July 2026

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

N/A

7. Background papers:

None.

8. Summary of Appendices:

Appendix 1 – Grant Thornton Leicester City Council audit plan Year ending 31 March 2026.

10. 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

11. Is this a “key decision”? If so, why? No

The Audit Plan for Leicester City Council

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Year ending 31 March 2026

25 June 2026



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The Backstop

The Future of 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 require audited financial statements to be published by a specific date. The upcoming backstop dates are as follows:

- for years ended 31 March 2026 by 31 January 2027
- for years ended 31 March 2027 by 30 November 2027; and
- for years ended 31 March 2028 by 30 November 2028.

The Regulations are supported by the National Audit Office's (NAO) Code of Audit Practice 2024. The backstop dates were introduced to clear the backlog of historic financial statements and support 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.

3 In the year ended 31 March 2025 we issued an unqualified audit opinion on Leicester City Council's financial statements, ahead of the backstop date.

However we reported in our 2024/25 Audit Findings report, dated 17 February 2026, that there is a risk that the Council will be unable to deliver a complete and auditable set of financial statements by the deadlines going forward, unless timely and sustained improvements are made to address the recommendations set out in our audit findings and to enhance the overall quality of the accounts.

Continued overleaf...

The Backstop

Our Work

In order to achieve the statutory deadlines for the next two financial years, we will be working towards an internal deadline for 2025/26 of 30 November 2026, as a dry run for future years.

We ask you to assist us with this ambition by setting a Governance and Audit Committee date in advance of the end of November 2026, to enable the financial statements to be authorised and signed, and allow us to issue our audit report by that date.

We note that the NAO has already set a requirement that our Value for Money (VfM) work is completed by 30 November each year which has been set to align with the upcoming deadline for the financial statements.

Whilst we recognise that the formal deadline for you as a local authority to publish your draft accounts is 30 June 2026, we feel an important first step towards achieving closure by the end of November is to complete early testing wherever possible. With this in mind, we have undertaken more early testing during our interim audit visit. We will also look to complete a suite of initial sample selection and testing at several audited bodies, starting as early as 15 June.

Bringing testing forward should allow us as a firm to deliver all of our 2025/26 local government audits by the end of November 2026, putting us in a strong position ahead of the backstop formally moving to 30 November 2027. We appreciate this will require a change in how both finance and audit teams operate to make this a reality, and we are committed to making this happen.

We will engage early with your finance team to clearly set out our expectations and what is needed to make a success of these plans, and we ask that you work with us to achieve this. MHCLG have asked us as a firm to report by 31 July 2026, on a case by case basis, our assessment of local authorities' ability to both maintain and where necessary rebuild assurance. Having a clear, agreed project plan to complete our work on both the financial statements and the VfM by the end of November 2026 is a key part of this assurance.

Our ask of the Council

- Arrange a Governance and Audit Committee meeting for November 2026.
- Ensure sufficient resources are available to support more significant levels of interim audit work going forwards.
- Engage with the audit team on opportunities for early sampling before the main audit begins.
- Notify us promptly of any issues or delays so that we can plan accordingly.

Introduction and headlines

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Purpose

This document provides an overview of the planned scope and timing of the statutory audit of Leicester City Council ('the Council') for those charged with governance.

Respective responsibilities

The National Audit Office ('the NAO') has issued the Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of Leicester City Council. We draw your attention to these documents.

Scope of our Audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Governance and Audit committee); and we consider whether there are sufficient arrangements in place

at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that arrangements are in place to use resources efficiently in order to maximise the outcomes that can be achieved as defined by the Code of Audit Practice.

The audit of the financial statements does not relieve management or the Governance and Audit committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council and is risk based.

Introduction and headlines (continued)

Significant risks

Those risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error have been identified as:

- Management override of control
- Valuation of Land and Buildings, and Surplus assets
- Valuation of the gross pension fund liability

We will communicate significant findings on these areas as well as any other significant matters arising from the audit to you in our Audit Findings (ISA 260) Report.

Materiality

We have determined planning materiality to be £21.4m (PY £21.4m) for the Council, which equates to 1.8% of your prior year gross operating costs for the year (based on prior year draft accounts). We are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance.

Clearly trivial has been set at £1.07m (PY £1.07m).

Value for Money arrangements

Our risk assessment regarding your arrangements to secure value for money has identified the following risks of significant weakness:

- Financial sustainability
- Improving economy, efficiency and effectiveness

Additional commentary on our Value for money risk assessment is included on pages 21-24.

Audit logistics

Our interim visit took place in March 2026 and our final visit will take place in June-October 2026. Our key deliverables are this Audit Plan, our Audit Findings Report, our Auditor's Report and Auditor's Annual Report.

Our proposed fee for the audit is £437,427 (PY: £446,513 which included fee variations) for the Council, subject to the Council delivering a good set of financial statements and working papers, no significant changes in scope to the Audit, management being responsive to audit requests and providing sufficient appropriate audit evidence when requested.

We have complied with the Financial Reporting Council's Ethical Standard (revised 2024) and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Significant risks identified

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

Significant risk

Management override of controls

Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.

Audit team's assessment

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.

Planned audit procedures

We will:

- evaluate the design and implementation of management controls over journals
- review accounting estimates, judgements and decisions made by management
- test journal entries
- review unusual significant transactions.

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“In determining significant risks, the auditor may first identify those assessed risks of material misstatement that have been assessed higher on the spectrum of inherent risk to form the basis for considering which risks may be close to the upper end. Being close to the upper end of the spectrum of inherent risk will differ from entity to entity and will not necessarily be the same for an entity period on period. It may depend on the nature and circumstances of the entity for which the risk is being assessed. The determination of which of the assessed risks of material misstatement are close to the upper end of the spectrum of inherent risk, and are therefore significant risks, is a matter of professional judgment, unless the risk is of a type specified to be treated as a significant risk in accordance with the requirements of another ISA (UK).” (ISA (UK) 315).

In making the review of unusual significant transactions “the auditor shall treat identified significant related party transactions outside the entity’s normal course of business as giving rise to significant risks.” (ISA (UK) 550).

Significant risks identified (continued)

Significant risk

The revenue cycle includes fraudulent transactions

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue

Audit team's assessment

We have identified and completed a risk assessment of all revenue streams for the Council. We have rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams. This is due to the low fraud risk in the nature of the underlying transactions, and consideration of the risk of material misstatement due to fraud.

Planned audit procedures

As the risk has been rebutted we do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this rebuttal under review throughout the audit to ensure this judgement remains appropriate.

The expenditure cycle includes fraudulent transactions

Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.

Where we have not identified a significant risk of fraud in expenditure recognition for expenditure streams this is due to the low fraud risk in the nature of the underlying transactions, and consideration of the risk of material misstatement due to fraud.

We do not consider this to be a significant risk for the Council and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.

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Management should expect engagement teams to challenge them in areas that are complex, significant or highly judgmental which may be the case for accounting estimates, going concern, related parties and similar areas. Management should also expect to provide engagement teams with sufficient evidence to support their judgments and the approach they have adopted for key accounting policies referenced to accounting standards or changes thereto.

Where estimates are used in the preparation of the financial statements management should expect teams to challenge management's assumptions and request evidence to support those assumptions.

Significant risks identified (continued)

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| Significant risk | Audit team's assessment | Planned audit procedures |
|---|--|--|
| Valuation of Land and Buildings, and Surplus assets | <p>Within the valuation of the Council's Other Land and Buildings, and Surplus assets, 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>The 2025/26 Code introduces a new revaluation expedient, permitting valuations to be undertaken every five years, or on a rolling five-year basis, with indexation applied in intervening years. As this is a new accounting requirement, there is an increased risk of error in the valuation of Land and Buildings, and Surplus assets.</p> <p>We therefore have identified that the accuracy of the key inputs, assumptions, and new Code requirements driving the valuation of land and buildings, and surplus assets, as a significant risk.</p> | <p>We will:</p> <ul style="list-style-type: none"> • document our understanding management's process and controls for the calculation of the estimate • evaluate the competence, capabilities and objectivity of management's expert • evaluate the consistency of the disclosure with the valuation report • evaluate the basis on which the valuations have been carried out • evaluate and test the information and assumptions used by the valuer for a judgemental selection of assets • evaluate the appropriateness of indices used to index the Council's assets, and confirm the accuracy of application • evaluate the accounting entries for the valuation • evaluate the reasonableness of the assumptions used to form the estimate • use an auditor's expert to assist in the audit of the valuation. |

Significant risks identified (continued)

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| Significant risk | Audit team's assessment | Planned audit procedures |
|---|--|--|
| Valuation of the gross pension fund liability | <p>The valuation of the gross pension fund liability represents a significant estimate in the financial statements due to the and the sensitivity of the estimate to changes in key assumptions.</p> <p>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> <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.</p> <p>With regard to these assumptions, we have therefore identified valuation of the Council's pension fund gross liability as a significant risk.</p> | <p>We will:</p> <ul style="list-style-type: none"> document our understanding management's process and controls evaluate the competence, capabilities and objectivity of management's expert evaluate the consistency of the disclosure with the actuarial report evaluate the reasonableness of the assumptions used to form the estimate obtain assurances from the pension fund auditor on the underlying data shared by the fund to the actuary which has been used in the calculation of this estimate |

Other matters

Other work

In addition to our responsibilities under the Code of Practice, we have a number of other audit responsibilities, as follows:

- We read your Narrative Report and Annual Governance Statement to check that they are consistent with the financial statements on which we give an opinion and our knowledge of the Council.
- We carry out work to satisfy ourselves that disclosures made in your Annual Governance Statement are in line with requirements set by CIPFA.
- We carry out work on your consolidation schedules for the Whole of Government Accounts process in accordance with NAO group audit instructions.
- We consider our other duties under legislation and the Code, as and when required, including:
 - giving electors the opportunity to raise questions about your financial statements, consider and decide upon any objections received in relation to the financial statements
 - issuing a report in the public interest or written recommendations to the Council under section 24 of the Local Audit and Accountability Act 2014 (the Act)

- application to the court for a declaration that an item of account is contrary to law under section 28 or a judicial review under section 31 of the Act
- issuing an advisory notice under section 29 of the Act.
- We certify completion of our audit.

Other material balances and transactions

Under International Standards on Auditing, 'irrespective of the assessed risks of material misstatement, the auditor shall design and perform substantive procedures for each material class of transactions, account balance and disclosure'. All other material balances and transaction streams will therefore be audited. However, the procedures will not be as extensive as the procedures adopted for the risks identified in this report.

Our approach to materiality

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

Description

Determination

We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Council including consideration of factors such as stakeholder expectations, sector developments, financial stability and reporting requirements for the financial statements

Planned audit procedures

We determine planning materiality in order to:

- establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements
- assist in establishing the scope of our audit engagement and audit tests
- determine sample sizes and
- assist in evaluating the effect of known and likely misstatements in the financial statements.

Other factors

An item does not necessarily have to be large to be considered to have a material effect on the financial statements

An item may be considered to be material by nature when it relates to instances where greater precision is required.

Reassessment of materiality

Our assessment of materiality is kept under review throughout the audit process

We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality.

Our approach to materiality (continued)

| Description | Amount (£) | Qualitative factors considered |
|---|------------|--|
| Materiality for the Council financial statements | 21,400,000 | We determined materiality for the audit of the Council's financial statements as a whole to be £21.4m, which is approximately 1.8% of the Council's gross operating expenses in the prior period draft accounts. This benchmark is considered the most appropriate because we consider users of the financial statements to be most interested in how it has expended its revenue and other funding. In setting the threshold we have considered users expectations, the previous years' measures of materiality and the level of engagement risk. |
| 23 Materiality for specific transactions, balances or disclosures | 19,300 | Due to the public interest in senior officer remuneration disclosures, we design our procedures to detect errors in specific accounts at a lower level of precision, which we have determined to be applicable for senior officer remuneration disclosures. We will apply headline materiality of 1.8% to the total senior officer remuneration, and this will be applied at an individual officer level. |
| Matters we will report to the Governance and Audit Committee (triviality threshold) | 1,070,000 | We report to the Governance and Audit Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. In the context of the Council, we propose that an individual difference could normally be considered to be clearly trivial if it is less than £1.07m. |



Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances, and are affected by the size or nature of a misstatement, or a combination of both; and Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered. (ISA (UK) 320)

Progress against prior year audit recommendations

We identified the following issues in our 2024/25 audit of the Council's financial statements, which resulted in 14 recommendations being reported in our 2024/25 Audit Findings Report. All recommendations have been addressed by management. We will, however, validate these actions as part of the 25-26 audit.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|-------------|--|---|
| In progress | <p>Lack of quality control in capital accounting</p> <p>A material error was identified by the audit team because a reconciliation between the accounts and the valuation report was not completed by management.</p> <p>Also, we have identified a material error in the treatment of capital adjustments in the Expenditure and Funding Analysis in consecutive years. This demonstrates that capital accounting is not subject to appropriate levels of quality review and controls to ensure accurate reporting.</p> | <p>Management Response</p> <p>A reconciliation between the valuation report and the fixed asset register will be carried out.</p> <p>The Expenditure and Funding analysis note will be checked to ensure capital adjustments are correctly reflected in line with the Code.</p> <p>The Capital Team will cross review each others working papers and the Lead Closedown Accountant will also review the following working papers where issues have been identified in previous years: Fixed Asset Register, Capital Financing Requirement and PFI's.</p> |
| In progress | <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>Management Response</p> <p>The draft accounts will be checked against the 2024/25 Audit Findings to ensure that previous misstatements are not repeated.</p> |

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Progress against prior year audit recommendations (continued)

25

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|-----------------------|---|--|
| In progress | <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 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 Response</p> <p>Debtor and creditor listings will be provided at transactional level, in line with submissions in previous years.</p> |
| Addressed | <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 Response</p> <p>This has been actioned.</p> |
| Continued overleaf... | | |

Progress against prior year audit recommendations (continued)

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|-------------|---|--|
| In progress | <p>Reconciliation between the Balance sheet and the Capital financing requirement</p> <p>The Prudential Code for capital finance in local authorities requires that annually the authority calculates the actual capital financing requirement (CFR) based on the Balance Sheet. We identified a check was not undertaken, and we identified unexplained differences between the Balance sheet and the CFR.</p> | <p>Management Response</p> <p>This will be completed in 2025/26 and reviewed by the lead closedown accountant.</p> |
| In progress | <p>Management expert output not reviewed</p> <p>Management engage with an actuary to produce the IAS19 calculation. 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 Response</p> <p>The assumptions used by the actuary will be reviewed for the 2025/26 draft accounts.</p> |
| Addressed | <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.</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>This issue was first reported in 2023/24 and has not yet been addressed.</p> | <p>Management Response</p> <p>Finance personnel responsible for accruals have been reminded of their responsibilities and key checks.</p> |

Continued overleaf...

Progress against prior year audit recommendations (continued)

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| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|-----------------------|--|--|
| In progress | <p>Accounting treatment of capital expenditure not adding value</p> <p>Management has incorrectly processed the accounting treatment for the downward revaluation of capital expenditure deemed to be not adding value. Management should review their processes to ensure accounting for these transactions are compliant with the Code. Specifically, that charges to the revaluation reserve are made where appropriate, or if the spend is to replace a specific component, then a derecognition of the old component should be recognised. 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>This issue was first reported in 2022/23 and has not yet been addressed.</p> | <p>Management Response</p> <p>We have a process for componentisation included in our accounting policies and where material components are replaced we de-recognise the component in line with the Code and Code Guidance Requirements. However, most expenditure falls below this materiality threshold and hence gets treated as Capex NAV.</p> |
| In progress | <p>Register of interests</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. There is a risk that the related party disclosure would not be complete.</p> <p>This issue was first reported in 2023/24 and has not yet been addressed.</p> | <p>Management Response</p> <p>A check to companies house will be carried out to ensure completeness and all appropriate bodies are considered for the disclosure in the accounts.</p> |
| Continued overleaf... | | |

Progress against prior year audit recommendations (continued)

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|-----------------------|--|---|
| Addressed | <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>This issue was first reported in 2023/24 and has not yet been addressed.</p> | <p>Management Response</p> <p>The Fixed Asset Register has been reviewed to ensure that assets are revalued in line with the Code requirements. There has been extensive work to ensure that the Council is complying with the new valuation requirements set out in the 2025/26 Code.</p> |
| In progress | <p>Valuation process of other land and buildings</p> <p>We continue to identify material adjustments required to the valuations of other land and buildings, and surplus assets. We recommend that the 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>This issue was first reported in 2020/21 and has not yet been addressed.</p> | <p>Management Response</p> <p>The Valuation Team to ensure all supporting evidence such as market yields, comparables, reports, etc. are stored in one location and provided to audit and for further due diligence, ensure that a snapshot of the supporting market evidence is stated on the actual valuation worksheet to ensure that the Auditors and the Finance Team understand the exact evidence used to calculate the valuation of a property.</p> <p>Quality control measures have been put in place to ensure data integrity and process by ensuring 2 valuers undertaking a review of the valuations and where there is extensive evidence required to support the figures stated all evidence is placed in a folder with the valuation worksheet.</p> |
| Continued overleaf... | | |

Progress against prior year audit recommendations (continued)

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|----------------|---|---|
| In progress | <p>Journals process</p> <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. 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.</p> | <p>Management Response</p> <p>The Council is aware of this, and officers continue to perform retrospective review of a sample of journals posted.</p> |
| 29 In progress | <p>Schools cash balances</p> <p>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> <p>This issue was first reported in 2022/23 and has not yet been addressed.</p> | <p>Management Response</p> <p>The Council is aware of this and it is still necessary to continue with this approach of using balances from February to ensure we meet the tight deadlines for publishing draft accounts. The Council has reviewed this in 2025/26 to ensure that it does not have a material impact on the accounts.</p> |

Continued overleaf...

Progress against prior year audit recommendations (continued)

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue(s) |
|-------------|---|---|
| In progress | <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> <ol style="list-style-type: none"> 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. 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. 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. 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>Management Response</p> <ol style="list-style-type: none"> 1) Management disagree with the interpretation of how the SA account works. The account is disabled and not logged into but as it's a system account it will run background processes. <p>A disabled SA account in SQL Server showing as "in use" is normal behaviour, as internal system processes, database owners, and SQL Agent jobs often continue to run under the sa context, even when the login is disabled. Disabling the account only prevents new, interactive login attempts.</p> <ol style="list-style-type: none"> 2) To confirm there were not 2 separate accounts. The account is for a single user and was added from 2 different groups, The account was added from 2 different user groups using different AD attributes, User ID and Name. Not a duplicate account and Grant Thornton was informed. 3) Following the audit recommendations we have slightly amended our sign off procedures, by ensuring that all of our sign off correspondence is saved in the user acceptance document to ensure there is a full audit trail. We also ensure there is a segregation of duties between the lead tester and the approver. 4) Management disagree with the wording of this recommendation. We have always carried out user acceptance testing and captured appropriate evidence. However, the decision to go live is now captured in the document going forwards. |

IT audit strategy

In accordance with ISA (UK) 315, we are required to obtain an understanding of the IT environment related to all key business processes, identify all risks from the use of IT related to those business process controls judged relevant to our audits and assess the relevant IT general controls (ITGCs) in place to mitigate them. Our audits will include completing an assessment of the design and implementation of ITGCs related to security management; technology acquisition, development and maintenance; and technology infrastructure.

The following IT applications are in scope for IT controls assessment based on the planned financial statement audit approach. We will perform the indicated level of assessment:

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| IT application | Audit area | Planned level IT audit assessment |
|------------------|--------------------------------|--|
| Unit 4 | Financial reporting | <ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only) |
| Active Directory | IT general control environment | <ul style="list-style-type: none"> ITGC assessment (design and implementation effectiveness only) |

Value for Money Arrangements

Approach to Value for Money work for the period ended 31 March 2026

The National Audit Office updated its Code of Audit Practice in November 2024. The Code expects auditors to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are expected to report a commentary each year under the specific reporting criteria and where significant weaknesses in arrangements are identified. 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 was introduced from November 2025. The three specified reporting criteria are set out below:

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Financial sustainability

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



Governance

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



Improving economy, efficiency and effectiveness

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



We will continue our review of your arrangements until we sign the opinion on your financial statements before we issue our AAR. Should any further risks of significant weakness be identified, we will report this to those charged with governance as soon as practically possible. Any significant weaknesses identified will be reflected in our AAR and included within our audit opinion.

Risks of significant weakness in VFM arrangements

Risk assessment of the Council's VFM arrangements

The Code of Audit Practice 2024 (the Code) sets out that the auditor's work is likely to fall into three broad areas: planning; additional risk-based procedures and evaluation; and reporting. We undertake initial planning work to inform this Audit Plan and the assumptions used to derive our fee. Consideration of prior year significant weaknesses and known areas of risk is a key part of the risk assessment for 2025/26. We will continue to evaluate risks of significant weakness and if further risks are identified, we will report these to those charged with governance. We set out our reported assessment below:

| Criteria | 2024/25 Assessment of arrangements | 2025/26 Risk assessment | 2025/26 risk-based procedures planned |
|---|---|---|--|
| <p style="writing-mode: vertical-rl; transform: rotate(180deg);">33</p> <p>Financial sustainability</p> | <p style="writing-mode: vertical-rl; transform: rotate(180deg);">R</p> <p>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.</p> | <p>Risk of significant weakness in arrangements. While the Council is delivering against its 2025/26 budget and achieving planned savings, the budget is only balanced through planned use of £28.0m of reserves. However, the Council reported an improved financial position in their 2026/27 Budget in February 2026 and no longer needs reserves to balance the 2026/27 budget and instead anticipates generating a small surplus of £2.2m. In 2027/28 only £0.7m is forecast to be needed, however in 2028/29 this increases to £10.3m. At this point, available reserves will have decreased from £65.8m at the beginning of 2025/26 to £51.5m. While there are sufficient reserves to support this in the medium-term, reliance on reserves is consistent with our prior year key recommendation.</p> <p>Furthermore, on 9th February, the government announced financial support to authorities to deal with Dedicated Schools Grant deficits once the statutory override ends. This funding will cover 90% of the deficit accrued to date, subject to a local SEND reform plan being approved by government. The cumulative overspend, stands at £37.9m as at 31 March 2026.</p> | <p>Given the risk of significant weakness identified, we will undertake additional risk-based procedures focusing on arrangements the arrangements the Council has to further reduce costs and increase savings, and the plans the Council has to reduce the annual overspending in relation to the DSG deficit.</p> |

Risks of significant weakness in VFM arrangements

(continued)

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| Criteria | 2024/25 Assessment of arrangements | 2025/26 Risk assessment | 2025/26 risk-based procedures planned |
|---|--|--|--|
| Governance | G No risks of significant weakness reported and no improvement recommendations made | No risks of significant weakness identified | As no risk of significant weakness has been identified, no additional risk-based procedures are specified at this stage. We will undertake sufficient work to document our understanding of your arrangements as required by the Code. |
| Improving economy, efficiency and effectiveness | 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. | In our prior year report we stated "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". This represents a risk of significant weakness. | To address this risk we will review progress made against our prior year key recommendation and the Regulator's report. This will include reporting to Members. |

- 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.

Risks of significant VFM weaknesses

As part of our initial planning work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources where we needed to perform additional procedures. The risks we have identified are detailed on the table overleaf along with the further work we will perform. We will continue to review the Council's arrangements and report any further risks of significant weaknesses we identify to those charged with governance. We may need to make recommendations following the completion of our work. The potential different types of recommendations we could make are set out in the table below.

Potential types of recommendations

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Statutory recommendation

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



Key recommendation

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

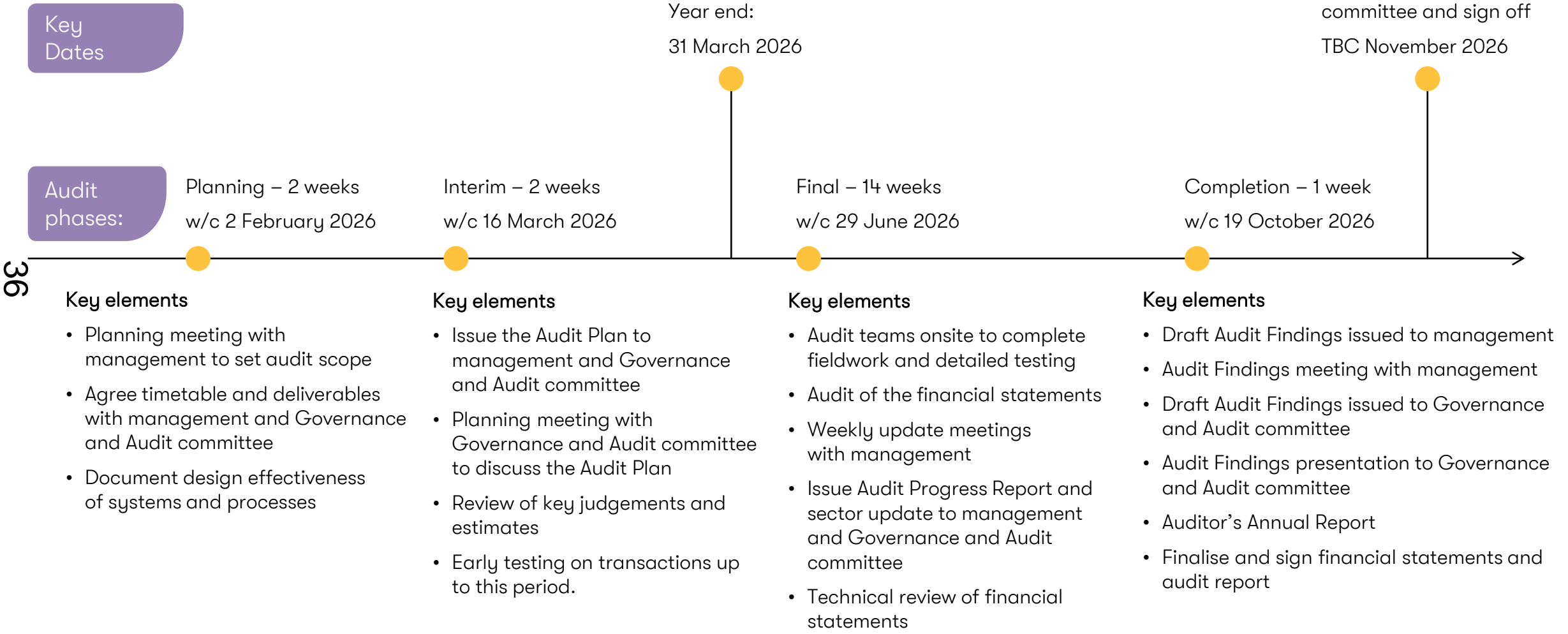


Improvement recommendation

Auditors may also include areas for improvement or to keep in view even if they do not identify any underlying significant weaknesses in arrangements. These recommendations set out actions for consideration which are not a result of identifying significant weaknesses in arrangements, but which if not addressed could increase the risk of a significant weakness in future periods.

Logistics

The audit timeline



Our team and communications

Grant Thornton core team

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Avtar Sohal
Engagement Lead/Key Audit Partner

- Key contact for senior management and Governance and Audit committee
- Overall quality assurance

William Howard
Audit Manager

- Audit planning
- Resource management
- Performance management reporting
- Quality assurance

Sophie Freeman
In charge

- On-site audit team management
- Day-to-day point of contact
- Audit fieldwork

Pool of specialists and technical specialists in relation to Value for Money, IT and PFI

| | Service delivery | Audit reporting | Audit progress | Technical support |
|--------------------------------|--|---|--|--|
| Formal communications | <ul style="list-style-type: none"> • Annual client service review | <ul style="list-style-type: none"> • The Audit Plan • The Audit Findings • Auditor’s Annual Report | <ul style="list-style-type: none"> • Audit planning meetings • Audit clearance meetings • Communication of issues log | <ul style="list-style-type: none"> • Technical updates |
| Informal communications | <ul style="list-style-type: none"> • Open channel for discussion | | <ul style="list-style-type: none"> • Communication of audit issues as they arise | <ul style="list-style-type: none"> • Notification of up-coming issues |

Our fee estimate

Our fee estimate

We have set out below our specific assumptions made in arriving at our estimated audit fees, we have assumed that the Council will:

- prepare good quality sets of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant estimates made during the course of preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.
- Our fee estimate also assumes that you will engage suitably competent experts to assist management in the following areas:
 - Valuation of the net pension liability – actuary
 - Valuation of land and buildings, surplus assets and any other material non-current assets
 - Fair value disclosures within Financial instruments



Previous year

In 2024/25 the scale fee set by PSAA was £425,513. The actual fee charged for the audit was £446,513 due to fee variations.

| Company | Audit Fee for 2024/25 (£) | Proposed fee for 2025/26 (£) |
|-------------------------|---------------------------|------------------------------|
| Leicester Council Audit | 446,513* | 437,427 |
| Total (Exc. VAT) | 446,513* | 437,427 |

*Includes fee variations that will need to be approved by PSAA. This was communicated in the prior year Audit Findings report

Our fee estimate (continued)

Relevant professional standards

In preparing our fee estimate, we have had regard to all relevant professional standards, including paragraphs 4.1 and 4.2 of the FRC's [Ethical Standard \(revised 2024\)](#) which stipulate that the Engagement Lead (Key Audit Partner) must set a fee sufficient to enable the resourcing of the audit with partners and staff with appropriate time and skill to deliver an audit to the required professional and Ethical standards.

3 PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2023 PSAA awarded a contract of audits for the Council to begin with effect from 2023/24. The scale fee set out in the PSAA contract for the 2025/26 audit is £437,427.

This contract sets out four contractual stage payments for this fee, with payment based on delivery of specified audit milestones:

- Production of the final auditor's annual report for the previous Audit Year or opinion issued (but not before 1 December 2025)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

Any variation to the scale fee will be determined by PSAA in accordance with their procedures as set out here [Fee Variations Overview – PSAA](#)

Updated Auditing Standards

The FRC has issued updated Auditing Standards in respect of Quality Management (ISQM 1 and ISQM 2). It has also issued an updated Standard on quality management for an audit of financial statements (ISA 220). We confirm we will comply with these standards.

Fees and non-audit services

The following tables below sets out the non-audit services that we have been engaged to provide or charged from the beginning of the financial year to 19 March 2026, and have been updated for expected final fees, 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 Council'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 teams within the Grant Thornton International Limited network member firms providing services to Leicester City Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees, as set out in the table on the next page:

Fees and non-audit services

Assurance Service Fees

| Service | 2022/23 Fees £ | 2023/24 Fees £ | 2024/25 Fees £ | 2025/26 Fees £ | Threats Identified | Safeguards applied |
|---|--------------------|-----------------------|-------------------|-------------------|---|--|
| Certification of Housing Benefits Subsidy claim | 138,975 (final) | 220,500 (estimate) | | | Self-Interest (because this is a recurring fee) | The level of these recurring fees taken on its own is not considered a significant threat to independence as the fee for this work is £371,975 in comparison to the total fee for the audit of £437,427 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, each 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. |
| Certification of Teachers Pension Return | | | 12,500 | 12,500 | Self review (because GT provides audit services) Management threat | |
| Total | | | | £371,975 | | |

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Fees and non-audit services (continued)

Other non-audit services

| Service | £ Threats Identified | Safeguards applied |
|---------------------------|---|--|
| Audit Readiness Programme | 8,500 We have not identified any threats to our independence. The training is generic in nature, with a focus on how to prepare for an audit. The information provided will not be tailored to any one individual or client. It will not include technical information on accounting treatments or accounting judgements. | We have been given PSAA approval to deliver this service and are satisfied that that this digital platform as it is administered by a separate function of Grant Thornton compared to the audit team acts as an appropriate safeguard to independence. |
| Total | £8,500 | |

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Total audit and non-audit fee

(Audit fee) £437,427

(Non-Audit fee) £380,475

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

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 confirm there are no matters that we are required to report.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard

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

| Matter | Conclusions |
|--|---|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity. |
| 43 Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Council. |
| 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 Council 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 Council. |
| 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 Council's board, senior management or staff (that would exceed the threshold set in the Ethical Standard). |

We confirm that there are no significant facts or matters that impact on our independence at planning 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.

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 and Key Audit Matters | ● | ● |
| Planned use of internal audit | ● | ● |
| 44 Confirmation of independence and objectivity | ● | ● |
| A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | ● | ● |
| Significant matters in relation to going concern | ● | ● |

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 Plan, outlines our audit strategy and plan to deliver the audit, while the Audit Findings will be issued prior to approval of the financial statements and will present key issues, findings and other matters arising from the audit, together with an explanation as to how these have been resolved.

We will communicate any adverse or unexpected findings affecting the audit on a timely basis, either informally or via an audit progress memorandum.

Communication of audit matters with those charged with governance (Continued)

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.

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| Our communication plan | Audit Plan | Audit Findings |
|---|------------|----------------|
| Views about the qualitative aspects of the Council’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 | | ● |

Financial reporting changes

Changes to the CIPFA Code of practice on local authority accounting for 2025/26

The main change is a revaluation expedient for property, plant and equipment. From 1 April 2025, revaluations are required once every five years or on a five year rolling basis with indexation in intervening years. This is a substantial change to the accounting for non current asset, that may require engagement with valuers, changes to underlying systems, asset records and accounting treatment.

46 New or revised accounting standards that are expected to be adopted by the CIPFA Code in future years.

Amendment to IFRS 9 and IFRS 7 - Contracts Referencing Nature-dependent Electricity

The International Accounting Standards Board (IASB) issued amendments to IFRS 9 and IFRS 7 to improve the reporting of nature-dependent electricity contracts, such as power purchase agreements (PPAs). These contracts, which secure electricity from sources like wind and solar power, can vary due to uncontrollable factors like weather. The amendments clarify the 'own-use' requirements, permit hedge accounting for these contracts, and introduce new disclosure requirements to help users of the accounts understand their impact on an entity's financial performance and cash flows. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

Amendments to IFRS 9 and IFRS 7 – Classification and measurement of financial instruments

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities (including settling financial liabilities using an electronic payment system), adds guidance on the solely payment of principal and interest (SPPI) criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the CIPFA Code for **2026/27**.

IFRS 18 Presentation and Disclosure in the Financial Statements

IFRS 18 will replace IAS 1 Presentation of Financial Statements. All entities reporting under IFRS Accounting Standards will be impacted.

The new standard will impact the structure and presentation of the comprehensive income and expenditure statement as well as introduce specific disclosure requirements. Some of the key changes are:

- introducing new defined categories for the presentation of income and expenses
- introducing specified totals and subtotals, for example the mandatory inclusion of 'Operating profit or loss' subtotal
- disclosure of management defined performance measures
- enhanced principles on aggregation and disaggregation which apply to the primary financial statements and notes.

IFRS 18 will be effective in the UK from 1 January 2027 and so could impact the CIPFA Code from **2027/28**.



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**Draft Statutory Statement
of Accounts & Annual
Governance Statement
2025/26**

Governance and Audit Committee

Decision to be taken by: N/A

Date of meeting: 13th July 2026

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Ben Matthews
- Author contact details: Ben.Matthews@leicester.gov.uk
- Report version number: 1.0

1. Summary

- 1.1. To provide an opportunity for the committee to consider the Council's Draft Annual Statement of Accounts and Annual Governance Statement for 2025/26 before they are brought back to committee for formal approval.

2. Recommendations

- 2.1. The Committee is asked to note the contents of the report and make any comments.
- 2.2. The Committee is asked to consider the:
 - 1.1.1. Draft Annual Statement of Accounts for 2025/26 at appendix 1.
 - 1.1.2. Draft Annual Governance Statement 2025/26 at appendix 1.

3. Background

- 3.1. The Accounts & Audit (England) Regulations 2015 require that the Council present its audited Statement of Accounts along with its Annual Governance statement for approval annually. This is delegated to the Governance & Audit Committee by Council. For 2025/26, this deadline has been brought forward by a month to the 31 January 2027, however it is still an extended deadline due to issues being experienced in the local authority audit sector. The draft accounts are therefore presented to this meeting for information and consideration and will be brought to a future meeting for formal approval following the completion of the external audit.

4. Draft Annual Statement of Accounts for 2025/26

- 4.1. 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 underlying financial position.

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

4.1. The core financial statements are:

1.1.1. Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the authority. This statement distinguishes between “usable reserves” which can be used to fund expenditure or reduce local taxation and “unusable reserves” which are effectively accounting entries and not available to spend. The level of uncommitted general balances at 31st March 2026 was £15.0m, in line with the Council’s financial strategy.

1.1.2. Comprehensive Income and Expenditure Statement (CIES)

This shows the Council’s actual performance for the year in accordance with the Code of Practice. This means that the accounts are prepared on a different basis than that used to set the Council’s budget and raise council tax. There are several statutory adjustments that are made to the surplus or deficit shown on this statement to arrive at the balance on the General Fund shown in the Movement in Reserves Statement above.

1.1.3. Balance Sheet

The balance sheet shows the net worth of the Council in terms of its assets and liabilities. It shows the net value of the organisation including the balances and reserves, its long-term indebtedness, and its fixed and net current assets employed in its operations.

1.1.4. Cash Flow Statement

This statement summarises the movements in cash holdings during the year in common with the presentation required for commercial companies, although the statement is of less significance in the local authority context.

4.2. The Council’s Draft Statement of Accounts were published on the website on the 25th June 2026.

4.3. The external audit commenced on 29th June. Any recommendations made will be reported to your committee, along with any alterations made to the draft Statement of Accounts.

4.4. Due to the issues being experienced in the local authority audit sector, the usual statutory deadlines have been extended and the final audited accounts are not required to be completed until the 31st January 2027. However, the Council is working closely with Grant Thornton to present a final set of accounts by the end of November, although it should be noted that the accounts cannot be completed until the Leicestershire County Council Pension Fund has been audited.

4.5. When producing the Statement of Accounts, a number of accounting estimates are used. These estimates rely on the professional judgement of experts in the relevant areas. As these estimates are material to the accounts it is important that the committee understand them and the impact on the accounts. For the Council the main estimates are:

- Property, Plant & Equipment – asset values
- Pensions Liability

4.6. Members should note that the 2025/26 Code of Practice on Local Authority Accounting introduced changes to the requirements relating to the valuation of Property, Plant and Equipment (PPE). These changes are intended to enable a more proportionate approach to the accounting requirements for non-investment assets, primarily by utilising indexation between formal valuations.

4.7. Further detail on significant estimates in the accounts can be found in Note 5 (page 43) of the Statement of Accounts.

5. Draft Annual Governance Statement

5.1. The Council is required to publish, as part of its financial accounts reporting, an Annual Governance Statement. This statement should assure the people of Leicester that the Council operates in accordance with the law and has due regard to proper standards of behaviour and that it safeguards the public purse. The draft Annual Governance Statement is being presented here for comment before final approval by this committee.

5.2. 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'.

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

6.1 Financial implications

This report is exclusively concerned with financial issues.

Claire Gavagan, Assistant Director of Finance

2 July 2026

6.2 Legal implications

There are no direct legal implications arising from this report.

Kevin Carter, Head of Law (Commercial, Property and Planning)

3 July 2026

6.3 Equalities implications

Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows: A public authority must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act, to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it, and to foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The duty requires us to consider how we can positively contribute to the advancement of equality and good relations and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services.

The Code of Practice referenced in the report specifies the principles and practices of accounting required to prepare financial statements which give a true and fair view of the financial position and transactions of a local authority. As such, there are no direct equality implications arising from the report.

Equalities Officer, Surinder Singh Ext 37 4148
30 June 2026

6.4 Climate Emergency implications

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

Phil Ball, Sustainability Officer, Ext 37 2246
2 July 2026

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

N/A

7. Background papers:

Revenue and capital outturn reports presented to the Overview Select Committee on 8th July 2026.

8. Summary of Appendices:

Appendix 1 – Draft Annual Statement of Accounts & Annual Governance Statement 2025/26

10. 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

11. Is this a "key decision"? If so, why? No



DRAFT ANNUAL ACCOUNTS 2025/2026



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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 2025/26.

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 12,500 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 2025/26 the Council continued to respond to significant demand and cost pressures, particularly in homelessness and statutory care services. Targeted investment in temporary accommodation of £45m helped mitigate financial pressures that would otherwise have resulted in higher costs of £20m.

The final outturn for the year was a £5.1m underspend against budgets, after the net call on the managed reserves strategy of £28m.

The Council's financial outlook for 2026/27 improved compared with previous forecasts, reflecting a better than expected local government finance settlement together with progress in delivering the Council's budget strategy and savings programme. While financial challenges remain, particularly in demand-led services, the Council is in a stronger financial position than previously anticipated and will continue to manage resources carefully to support long-term financial sustainability.

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 2025/26 have been:

- **Setting a multi-year budget strategy**, with further savings delivered and the medium-term gap reduced
- **Ongoing investment in council housing** with schemes progressing to increase supply;
- **Continued investment in temporary accommodation**, focused on managing demand pressures and reducing reliance on costly external provision;
- **Delivery of preventative adult social care services** to help residents maintain independence and manage demand on statutory care services.

Narrative Statement

3. Financial Performance

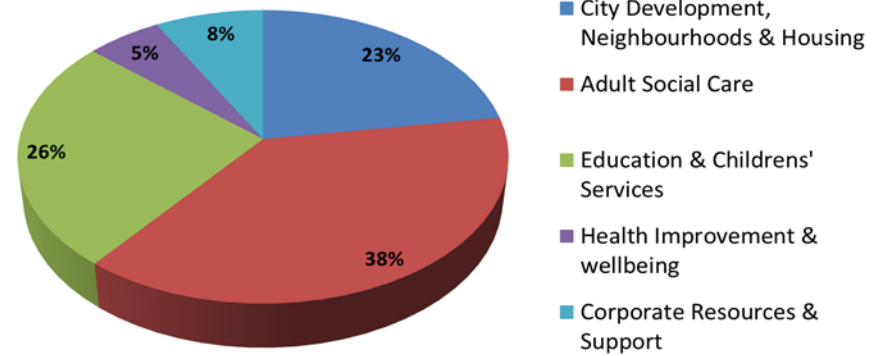
The budget for 2025/26 was set under a difficult financial situation. Following on from severe spending cuts and increasing demand for services that put pressure on spend and on income streams. It is positive to note the Council has managed to remain within its resources for this financial year.

Net expenditure on provision of services was £416m in 2025/26 and £398m in 2024/25. The chart to the right sets out the spend by General Fund service area.

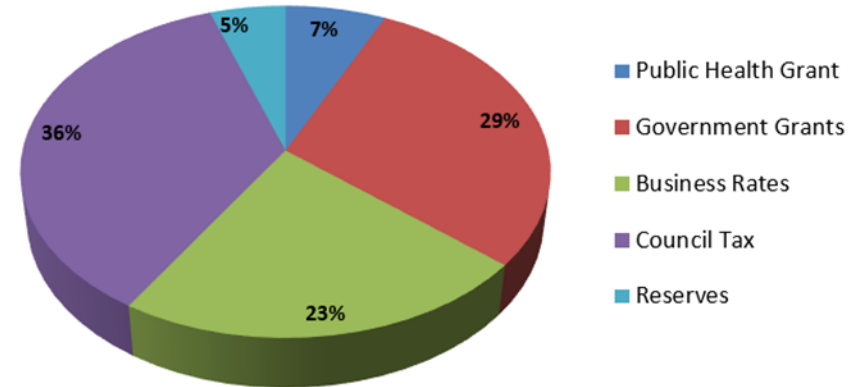
The services above are funded through various resources as demonstrated below.

56 ⁵ 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.

2025/26 Spend by Category
(General Fund Net Spend)



2025/26 Sources of Funding
(General Fund)

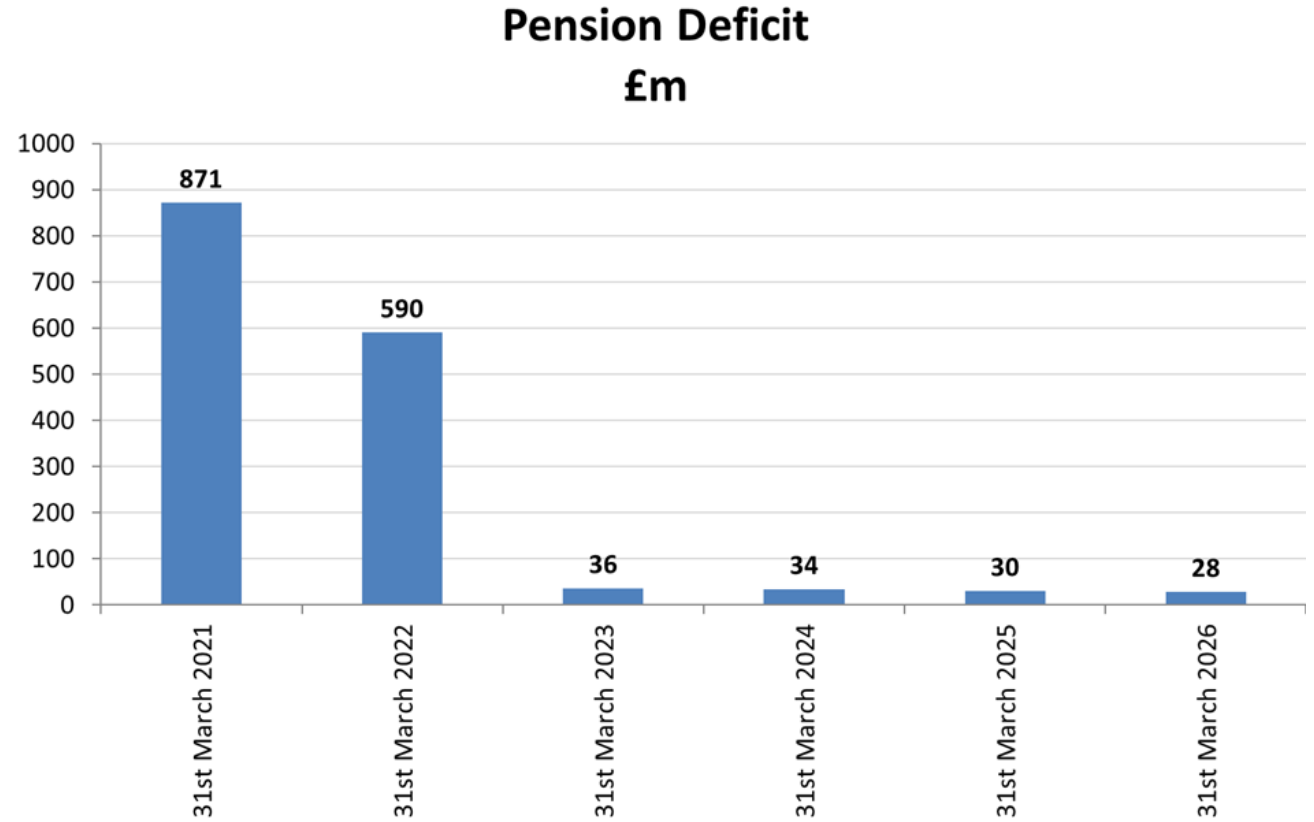


Narrative Statement

Pension Liabilities

The Council is a member of the Leicestershire Local Government 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.

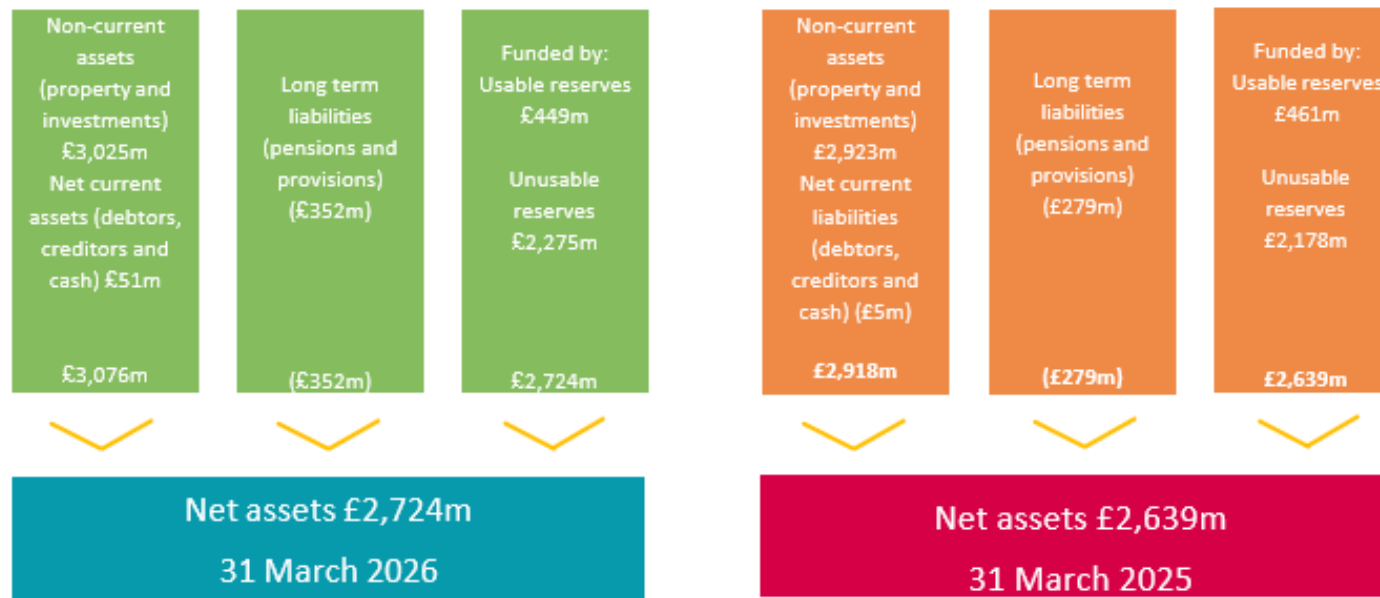
Variations between the years will occur, principally due to changes in assumptions made by the scheme actuaries about the growth of future liabilities and rates of returns on the fund's investments. The graph to the right illustrates the volatility that can occur on a year-by-year basis because of these changes, and hence the limited context in which annual movements should be viewed. This year the Council has a net asset on the pension fund, however due to asset ceiling accounting requirements the position shown in the accounts is a £28m 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 £2,724m at 31st March 2026 (£2,639m at 31st March 2025).



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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.

Following several years without new borrowing, in 2025/26 additional borrowing of £110m was taken out to support capital expenditure.

Cash & Cash equivalents at 31st March 2026 were £103m, which was £34m higher than the previous year due to the increase in short term deposits. 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 £134m was incurred in 2025/26 compared to £159m in 2024/25. Details of the spending can be seen in the table.

| Capital Expenditure 2025/26 | | |
|--|--------------|--|
| Category | £m | Spending includes; |
| Planning, Development & Transport | 25.8 | Local Transport Schemes, Electric Bus Grants, Transport Improvement Works, Highways Maintenance |
| Housing Revenue Account | 40.3 | Affordable Housing Acquisitions, Council House Improvements; including environment and communal |
| Schools and Children’s Services | 14.7 | Schools’ maintenance, additional SEND places, and expansion of Children’s Homes |
| Tourism, Culture & Inward Investment | 9.5 | Jewry Wall Museum, Leicester Market Redevelopment, Leicester Museum and Art Gallery and Pilot House Levelling Up |
| Estates & Building Services | 8.5 | Property and Operational Estate Maintenance, Replacement Cladding Phoenix Square, The Curve Remedial Works |
| Neighbourhood & Environmental Services | 1.9 | Multi Use Games Areas (MUGAs), Parks Plant and Equipment, Saffron Lane Stadium S106 Improvements, St Margarets Pastures Skate Park |
| Housing General Fund | 32.3 | Housing acquisitions, Disabled facilities grant, Vehicle Fleet Replacement Program, Action Homeless Supported Living Scheme |
| Other | 0.9 | IT and Adult Social Care schemes |
| Total | 133.9 | |

Narrative Statement


3. Governance

Details regarding the Council's governance arrangements can be found in the Annual Governance Statement (page 150) along with the significant risks facing the authority.

4. Looking Ahead

The Council has set a balanced budget for 2026/27, and forecasts to balance for the next three years based on the following actions:

- Savings programme
- Cost Mitigation in areas such as social care
- Reduction in the capital programme and use of capital receipts to limit borrowing

 Use of reserves to support the medium-term position

Further detail on the Council's long-term strategy can be found in the budget report, which is available on the Council's website.

The financial position has been difficult for over a decade, due to significant loss of government grant and rising costs in demand-led services, particularly in social care and homelessness. While these cost pressures continue the financial outlook has improved compared to previous years as a result of the substantial work done to control costs; and an improved Government funding settlement that has recognised the historic under-funding of more deprived areas of the country.

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 £37.9m. Under a "statutory override" available until 2028, this deficit does not reduce our General Fund reserves. On 9th February, the government announced financial support to authorities to deal with these deficits once the override ends. This funding will cover 90% of the deficit accrued to date. The remaining deficit will have to be met from the Council's own resources, and funding has been set aside in an earmarked reserve for this.

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 is 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 2026. 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 2025/26. This is based on International Financial Reporting Standards adopted for use in the public sector context.

The Core Statements are:

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

- The **Movement in Reserves Statement** is a summary of the changes in the Council's reserves over the course of the year. Reserves are divided into usable reserves which can be used to fund future expenditure and unusable reserves which are maintained to meet statutory responsibilities.
- The **Balance Sheet** shows the Council's assets and liabilities at the year end. Net assets are matched by reserves which may be usable or unusable.
- The **Cash Flow Statement** shows the changes in cash and cash equivalents during the year and explains the reasons.

The Supplementary Financial Statements are:

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

- The **Housing Revenue Account** is a statutory ringfenced account relating to the provision of rented social housing.
- The **Collection Fund** which records all income and expenditure in relation to council tax and business rates and the redistribution to precepting authorities.

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

Group Accounts Preparation:

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

Statement of Responsibilities for the Statement of Accounts

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Section 151 Officer.
- Manage its affairs so as to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

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

Signed:

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Chair of Governance and Audit Committee

Date:

Statement of Responsibilities for the Statement of Accounts (continued)

The Section 151 Officer Responsibilities

The Council is required to:

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:

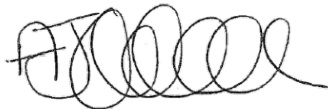
- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

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 2026.

Signed:



Amy Oliver CPFA, Director of Finance & Section 151 Officer

Date: 24/06/2026

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 2025/26 of £84.7m.

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

| Restated 2024/25 | | | | 2025/26 | | |
|------------------|------------------|----------------|-----------------------------------|------------------|------------------|----------------|
| Gross Exp | Income | Net Exp | | Gross Exp | Income | Net Exp |
| £000 | £000 | £000 | | £000 | £000 | £000 |
| 216,103 | (90,238) | 125,865 | City Development & Neighbourhoods | 217,349 | (100,792) | 116,557 |
| 84,470 | (98,426) | (13,956) | Housing Revenue Account (HRA) | 111,419 | (102,226) | 9,193 |
| 233,696 | (102,510) | 131,187 | Adult Social Care | 256,596 | (107,421) | 149,175 |
| 41,993 | (45,759) | (3,766) | Health Improvement & Wellbeing | 43,450 | (50,720) | (7,270) |
| 469,366 | (349,275) | 120,091 | Education & Children's Services | 479,170 | (366,209) | 112,961 |
| 54,121 | (19,228) | 34,893 | Corporate Resources & Support | 47,772 | (14,526) | 33,246 |
| 72,222 | (70,826) | 1,396 | Housing Benefits | 59,305 | (56,235) | 3,070 |
| 3,111 | (429) | 2,683 | Corporate Items | (41) | (376) | (417) |
| - | (517) | (517) | Capital Financing | - | (517) | (517) |
| 1,175,080 | (777,206) | 397,874 | Cost of Services | 1,215,020 | (799,022) | 415,998 |

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Comprehensive Income and Expenditure Statement (continued)

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| Restated 2024/25 | | | 2025/26 | | | |
|------------------|-----------------|---------|---|-----------|--------|-----------------|
| Gross Exp | Income | Net Exp | | Gross Exp | Income | Net Exp |
| £000 | £000 | £000 | Note | £000 | £000 | £000 |
| | | (4,773) | Other Operating Income and Expenditure | 11 | | 5,185 |
| | 10,807 | | Financing and Investment Income and Expenditure | 12 | | 11,913 |
| | (362,502) | | Taxation and Non-Specific Grant Income and Expenditure | 13 | | (430,910) |
| | 41,406 | | (Surplus) or Deficit on Provision of Services | 14 | | 2,186 |
| | (113,136) | | (Surplus) or Deficit on Revaluation of Property, Plant and Equipment Assets | 26b | | (119,523) |
| | 19,283 | | Remeasurement of the Net Defined Benefit Pension Liability | 42 | | 32,590 |
| | (93,853) | | Other Comprehensive Income & Expenditure | | | (86,933) |
| | (52,447) | | Total Comprehensive Income & Expenditure | | | (84,747) |

*The Comprehensive Income and Expenditure statement and associated notes have been restated for 2024/25 to correct a classification error of £13m. The error was relating to the treatment of capital grant income and meant that Taxation and Non-Specific Grant income was understated by £13m and the Cost of Services income was overstated by £13m. The overall impact on the deficit on provision of services is nil.

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”).

| 2025/26 | | 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 |
| 1st April 2025 brought forward | | (15,000) | (277,580) | (292,580) | (22,591) | (893) | (130,066) | (14,477) | (460,607) | (2,178,172) | (2,638,779) |
| Total Comprehensive Expenditure and Income | | (16,660) | - | (16,660) | 18,847 | - | - | - | 2,187 | (86,933) | (84,746) |
| Adjustments between accounting basis & funding basis under regulation | 9 | 30,960 | - | 30,960 | (13,313) | (2,715) | 17,612 | (23,153) | 9,391 | (9,391) | - |
| Transfers (from) / to Earmarked Reserves | 10 | (14,300) | 14,300 | - | - | - | - | - | - | - | - |
| Balance at 31st March 2026 carried forward | | (15,000) | (263,280) | (278,280) | (17,057) | (3,608) | (112,454) | (37,630) | (449,029) | (2,274,496) | (2,723,525) |

Movement in Reserves Statement (continued)

| 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 |
| Balance at 31st March 2024 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 | | 44,854 | - | 44,854 | (3,449) | - | - | - | 41,405 | (93,852) | (52,447) |
| Adjustments between accounting basis & Funding basis under regulation | 9 | (29,780) | - | (29,780) | 3,573 | (893) | (5,411) | 10,866 | (21,645) | 21,644 | (1) |
| Transfers (from)/to Earmarked Reserves | 10 | (15,074) | 15,074 | - | - | - | - | - | - | - | - |
| Balance at 1st April 2025 carried forward | | (15,000) | (277,580) | (292,580) | (22,591) | (893) | (130,066) | (14,477) | (460,607) | (2,178,172) | (2,638,779) |

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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.

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| 31st March 2025 | | Note | 31st March 2026 |
|----------------------------|--------------------------------|-------------|----------------------------|
| £000 | | | £000 |
| 2,782,681 | Property, Plant & Equipment | 15 | 2,891,736 |
| 119,818 | Heritage Assets | 16 | 120,608 |
| 1,239 | Intangible Assets | 17 | 1,687 |
| 10,000 | Long Term Investments | 18a | 5,000 |
| 9,729 | Long Term Debtors | 20 | 6,329 |
| 2,923,466 | Long Term Assets | | 3,025,360 |
| 20,115 | Short Term Investments | 18a | 25,035 |
| 13,927 | Assets Held For Sale (<1 year) | 22 | 14,094 |
| 3,251 | Inventories | 19 | 3,567 |
| 96,892 | Short Term Debtors | 20 | 100,222 |
| 68,950 | Cash and Cash Equivalents | 21 | 103,457 |
| 203,135 | Current Assets | | 246,375 |

| 31st March 2025 | | Note | 31st March 2026 |
|--------------------|------------------------------------|------|--------------------|
| £000 | | | £000 |
| (21,279) | Short Term Borrowing | 18a | (24,716) |
| (175,195) | Short Term Creditors | 23 | (165,966) |
| (13,150) | Provisions (<1 year) | 24 | (3,322) |
| (209,624) | Current Liabilities | | (194,004) |
| (5,860) | Provisions (>1 year) | 24 | (7,459) |
| (135,099) | Long Term Borrowing | 18a | (219,473) |
| (92,979) | Other Long Term Liabilities | 18a | (87,764) |
| (30,185) | Pension Liability | 42 | (27,958) |
| (1,822) | Revenue Grants Receipts in Advance | 35 | (3,657) |
| (12,252) | Capital Grants Receipts in Advance | 35 | (7,894) |
| (278,197) | Long Term Liabilities | | (354,205) |
| 2,638,780 | Net Assets | | 2,723,526 |
| | <u>Represented by:</u> | | |
| 460,607 | Usable Reserves | 25 | 449,027 |
| 2,178,174 | Unusable Reserves | 26 | 2,274,499 |
| 2,638,781 | Total Reserves | | 2,723,526 |

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.

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| 2024/25 | | | 2025/26 |
|----------------|--|-----------|-----------------|
| £000 | | Note | £000 |
| 41,406 | Net (surplus) or deficit on the provision of services | | 2,186 |
| (100,076) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 27 | (92,569) |
| 55,181 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing or financing activities | 27 | 98,776 |
| (3,489) | Net cash flows from Operating Activities | | 8,393 |
| 3,967 | Net cash flows from Investing Activities | 28 | 36,223 |
| 21,392 | Net cash flows from Financing Activities | 29 | (79,121) |
| 21,870 | Net (increase) or decrease in cash and cash equivalents | | (34,505) |
| 90,819 | Cash in hand / (overdraft) and cash equivalents at the beginning of the reporting period | | 68,949 |
| 68,949 | Cash in hand /(overdraft) and cash equivalents at the end of the reporting period | 21 | 103,454 |

Explanatory Notes to the Core Financial Statements

Note 1 Accounting Policies

Changes in Accounting Policies

In 2025/26, the Council adopted one significant change to its accounting policies following amendments to the Code of Practice on Local Authority Accounting in the United Kingdom relating to the revaluation of property, plant and equipment.

Accounting Policies for 2025/2026

1. General Principles

The Statement of Accounts summarises the City Council's transactions for the 2025/26 financial year and its position at the year-end of 31st March 2026. 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 2025/26, supported by International Financial Reporting Standards (IFRS).

The Statement of Accounts has been prepared on a 'going concern' basis. 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.

The asset's recognition is matched by a liability for the obligation to pay the lessor. 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).

Liabilities are recalculated where rents change as a result of a change in an index or rate used to determine future payments. Adjustments to liabilities are matched with adjustments to the cost of the right-of-use asset.

Note 1 Accounting Policies (continued)

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 accrual 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).

From 1 April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place and/or the assets are not non-property assets subject to indexation, authorities revalue their assets every five

years, with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation, with a desktop revaluation in year three.

The Council has adopted these new requirements in the 2025/26 statement of accounts. These requirements do not apply to social housing assets. Council dwellings therefore continue to be valued using the beacon approach.

Impairment:

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

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

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

Note 1 Accounting Policies (continued)

11. Property Plant and Equipment (continued)

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

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

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

Heritage Assets

Heritage assets are classified and measured on the following basis:

- Heritage Buildings – Current Value
- Museum/Gallery Exhibits (including Mayoral Regalia and Civic Silver) - Insurance Value (based on revaluation every three years)
- Statues and Monuments - Insurance Value

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

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

The Council may dispose of heritage assets which have a doubtful provenance or are unsuitable for display. Proceeds of such items will be disclosed separately in the notes to the financial statements and will be accounted for in accordance with the statutory requirements relating to

capital expenditure and capital receipts (see Note 15 – Property, Plant and Equipment).

Heritage Assets are not depreciated.

Highways Infrastructure Assets

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

Recognition

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

Measurement

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

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

Note 1 Accounting Policies (continued)

11. Property Plant and Equipment (continued)

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.
- 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.

From 1 April 2024, the Council has applied IFRS 16 Leases as adopted by the CIPFA Code of Practice on Local Authority Accounting.

IFRS 16 introduces a significant change in approach where a contract has variable payments. Under IAS 17, when the value of payments change in a way which is not predetermined in the contract, the increase in payments arising from indexation is treated in the same way as finance costs and expensed in the period to which the payment relates. Under IFRS 16 a different treatment is applied: where indexation or changes in a rate affect future payments, the lease liability is remeasured.

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.

| 2025/26 | 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 | 102,943 | (42,751) | 60,192 | 56,365 | 116,557 |
| Housing Revenue Account (HRA) | | (7,875) | (7,875) | 17,068 | 9,193 |
| Adult Social Care | 173,800 | (22,099) | 151,701 | (2,526) | 149,175 |
| Health Improvement & Wellbeing | (6,928) | 849 | (6,079) | (1,191) | (7,270) |
| Education & Children's Services | 116,800 | (25,275) | 91,525 | 21,436 | 112,961 |
| Corporate Resources & Support | 36,620 | (52) | 36,568 | (3,322) | 33,246 |
| Housing Benefits | | 3,070 | 3,070 | - | 3,070 |
| Corporate Items | 2,254 | 41,395 | 43,649 | (44,066) | (417) |
| Capital Financing | 5,833 | (6,350) | (517) | - | (517) |
| Cost of Services | 431,322 | (59,088) | 372,234 | 43,764 | 415,998 |
| Other Operating Expenditure | - | 427 | 427 | 4,758 | 5,185 |
| Financing and Investment Income and Expenditure | - | 31,000 | 31,000 | (19,087) | 11,913 |
| Taxation and Non-Specific Grant Income | - | (383,833) | (383,833) | (47,077) | (430,910) |
| (Surplus) or Deficit on Provision of Services | 431,322 | (411,494) | 19,828 | (17,642) | 2,186 |

| Movement in Balances | General Fund / Earmarked Reserves | HRA | Total |
|--------------------------------|-----------------------------------|-----------------|------------------|
| Opening Balance | (292,578) | (22,592) | (315,170) |
| Surplus or Deficit in the Year | 14,294 | 5,534 | 19,828 |
| Closing Balance | (278,284) | (17,058) | (295,342) |

*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 2 Expenditure & Funding Analysis (continued)

| Restated 2024/25 | Revenue Outturn Report- Expenditure | Adjustments to arrive at the Net Amount funded from General Fund * | Net Expenditure Charged | Adjustments Between | Net Expenditure on |
|--|--|---|--------------------------------------|-------------------------------|--|
| | | | to the HRA & General Fund Balance | Accounting & Funding Basis | the Comprehensive Income & Expenditure Statement |
| | | | £000 | £000 | £000 |
| City Development & Neighbourhoods | 95,886 | (3,225) | 92,661 | 33,204 | 125,865 |
| 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 | (21,366) | 88,656 | 31,435 | 120,091 |
| 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 | (37,392) | 352,291 | 45,583 | 397,874 |
| Other Operating Expenditure | - | (19,483) | (19,483) | 14,710 | (4,773) |
| Financing and Investment Income and Expenditure | - | 27,213 | 27,213 | (16,406) | 10,807 |
| Taxation and Non-Specific Grant Income | - | (344,818) | (344,818) | (17,684) | (362,502) |
| (Surplus) or Deficit on Provision of Services | 389,683 | (374,480) | 15,203 | 26,203 | 41,406 |

| 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) | (22,591) | (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 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 2025/26 (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:

- **Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (Amendments to Heritage assets) issued in March 2024** which included further guidance on how to determine whether an asset meets the definition of a heritage asset and the requirements for leases of heritage assets.
- **Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024** the amendments relate to settling financial liabilities using an electronic payment system and assessing contractual cash flow characteristics of financial assets, including those with environmental, social and governance (ESG)-linked features.
- **Annual improvements to IFRS accounting standards – Volume 11 issued in July 2024** includes clarifications, simplifications, corrections and changes aimed at improving the consistency of several IFRS Accounting Standards (IFRS 1, IFRS 7, IFRS 9, IFRS 10 and IAS 7)

- **Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7) issued in December 2024** targeted amendments to enable better reporting of the financial effects of nature-dependent electricity contracts, which are often structured as power purchase agreements (PPAs).

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.

There were no such critical judgements made during 2025/26.

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 considering 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 2026 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 |
|--|---|--|
| <p>Property, Plant & Equipment (Value - £2.9bn) Refer to Note 15.</p> | <p>The council's external valuers provide valuations at 31 March based on a rolling programme of valuations. The valuations are undertaken by qualified valuers in accordance with the Royal Institute of Chartered Surveyors (RICS) professional standards using recognised measurement techniques. The valuers also provide indices which are applied to those assets not valued in year.</p> <p>The value of the property, plant and equipment is dependent upon professional judgement based on information available at the time of valuation.</p> | <p>A reduction in the estimated valuations would result in a reduction to the revaluation reserve and/or a loss charged to the comprehensive income and expenditure statement.</p> <p>An increase in estimated valuations would result in the reversal of any negative revaluations previously charged to the comprehensive income and expenditure statement and/or increases to the revaluation reserve and/or gains charged to the comprehensive income and expenditure statement.</p> |

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 Liability—£28m)</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 recognised in the accounts due to the application of the asset ceiling. There is a significant risk that the assumptions and judgements 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 £28m 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 123.</p> |

Note 6 Material Items of Income and Expense

There are no material items of income and expenditure to report.

8 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 & Funding Analysis

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

| 2025/26 | 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 | |
| City Development & Neighbourhoods | 116,557 | (64,763) | 8,225 | 173 | (56,365) | 60,192 |
| Housing Revenue Account (HRA) | 9,193 | (21,060) | 3,607 | 385 | (17,068) | (7,875) |
| Adult Social Care | 149,175 | (1,080) | 3,538 | 68 | 2,526 | 151,701 |
| Public Health | (7,270) | - | 1,194 | (3) | 1,191 | (6,079) |
| Education & Children's Services | 112,961 | (19,903) | 13,910 | (15,443) | (21,436) | 91,525 |
| Corporate Resources & Support | 33,246 | (326) | 3,549 | 99 | 3,322 | 36,568 |
| Housing Benefits | 3,070 | | | | - | 3,070 |
| Corporate Items | (417) | 41,699 | 1,480 | 887 | 44,066 | 43,649 |
| Capital Financing | (517) | | | | - | (517) |
| Cost of Services | 415,998 | (65,433) | 35,503 | (13,834) | (43,764) | 372,234 |
| Other Operating Expenditure | 5,185 | (4,758) | | | (4,758) | 427 |
| Financing and Investment Income and Expenditure | 11,913 | 19,773 | (686) | | 19,087 | 31,000 |
| Taxation and Non-Specific Grant Income | (430,910) | 50,565 | | (3,488) | 47,077 | (383,833) |
| (Surplus) or Deficit on Provision of Services | 2,186 | 147 | 34,817 | (17,322) | 17,642 | 19,828 |

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

| Restated 2024/25 | Adjustments Between Accounting & Funding Basis | | | | | |
|--|---|----------------------------------|--|-------------------|-----------------|---|
| | 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 | 125,865 | (38,460) | 5,477 | (221) | (33,204) | 92,661 |
| 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 |
| Health Improvement & Wellbeing | (3,766) | (1) | 744 | 75 | 818 | (2,948) |
| Education & Children's Services | 120,091 | (25,154) | 10,054 | (16,335) | (31,435) | 88,656 |
| 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 | 397,874 | (54,196) | 24,553 | (15,940) | (45,583) | 352,291 |
| Other Operating Expenditure | (4,773) | (14,710) | - | - | (14,710) | (19,483) |
| Financing and Investment Income and Expenditure | 10,807 | 17,507 | (1,101) | - | 16,406 | 27,213 |
| Taxation and Non-Specific Grant Income | (362,502) | 19,812 | - | (2,128) | 17,684 | (344,818) |
| (Surplus) or Deficit on Provision of Services | 41,406 | (31,587) | 23,452 | (18,068) | (26,203) | 15,203 |

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

Adjustments for Capital Purposes

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

- **Other Operating Expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.
- **Financing and Investment Income and Expenditure** – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and Non-specific Grant Income and Expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions for which conditions were satisfied throughout the year. The Taxation and Non-Specific Grant Income and expenditure line is credited with capital grants receivable in the year without conditions or for which conditions are satisfied in the year.

Net Change for Pensions Adjustments

This column is for the removal of pension contributions and the addition of IAS19 Employee Benefits pension related expenditure and income:

- For services this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For Financing and Investment Income and Expenditure – the net interest on the defined benefit liability is charges to the CIES.

Other Adjustments

These columns reflect other differences between mounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable receivable to be recognised under statute.

- For Financing and Investment Income and Expenditure figures reflect the adjustments to the General Fund for the timing differences for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure figures reflect the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income.

- The reversal of officer's remuneration chargeable on an accruals basis is different to that chargeable under statutory requirements

Note 9 Adjustments between Accounting Basis and Funding Basis under Regulations

| Adjustment | 2025/26 | | | | | |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-----------------------------|
| | 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 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 | (51,031) | (35,390) | - | - | - | 86,421 |
| Revaluation gains/(losses) on Property Plant and Equipment | (19,343) | (285) | - | - | - | 19,628 |
| Capital grants and contributions applied | 37,534 | 24 | - | - | 208 | (37,766) |
| Capital expenditure funded from revenue | 18,390 | - | - | - | - | (18,390) |
| Revenue expenditure funded from capital under statute | (15,677) | - | - | - | - | 15,677 |
| 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 | (16,435) | (23,227) | - | - | - | 39,662 |
| Income recognised in respect of donated assets | 9,419 | - | - | - | - | (9,419) |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account: | | | | | | |
| Statutory provision for the financing of capital investment | 17,642 | 2,130 | - | - | - | (19,772) |
| Voluntary provision for the financing of capital expenditure | - | - | - | - | - | - |
| Capital expenditure charged against the General Fund and HRA balances | 1,212 | - | - | - | - | (1,212) |
| 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 | 10,630 | 24,928 | (35,558) | - | - | - |
| Use of the Capital Receipts Reserve to finance new capital expenditure | - | - | 52,545 | - | - | (52,545) |
| Contribution from the Capital Receipts Reserve towards administrative costs of non-current asset disposals | (654) | - | 654 | - | - | - |

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

| Adjustment Continued | 2025/26 | | | | | Movemt in Unusable Reserves £000 |
|---|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------------|
| | General Fund Balance | Housing Revenue Account | Capital Receipts Reserve | Major Repairs Reserve | Capital Grants Unapplied | |
| | £000 | £000 | £000 | £000 | £000 | |
| Adjustments primarily involving the Deferred Capital Receipts Reserve: | | | | | | |
| Transfer from Deferred Capital Receipts Reserve upon receipt of cash | - | - | (28) | - | - | 28 |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Transfer of HRA depreciation costs to Major Repairs Reserve | - | 14,590 | - | (14,590) | - | - |
| Use of the Major Repairs Reserve to finance new capital expenditure | - | - | - | 11,875 | - | (11,875) |
| Adjustments primarily involving the Capital Grants Unapplied Reserve: | | | | | | |
| Capital grants recognised in the year and credited to the Capital Grants Unapplied Reserve | 25,687 | - | - | - | (25,687) | - |
| Application of grants to capital financing credited to the Capital Adjustment Account | - | - | - | - | 2,325 | (2,325) |
| 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 | 887 | 383 | - | - | - | (1,270) |
| Adjustments primarily involving the Pensions Reserve: | | | | | | |
| Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (27,014) | (3,049) | - | - | - | 30,063 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | 58,300 | 6,580 | - | - | - | (64,880) |
| 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 | (3,488) | - | - | - | - | 3,488 |
| 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 | 572 | 2 | - | - | - | (574) |
| Adjustment primarily involving DSG Deficit: | | | | | | |
| School budget deficit transferred from General Fund in accordance with statutory requirements | (15,672) | - | - | - | - | 15,672 |
| Total Adjustments | 30,959 | (13,314) | 17,613 | (2,715) | (23,154) | (9,389) |

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

| Adjustment | 2024/25 | | | | | |
|--|----------------------|-------------------------|--------------------------|-----------------------|--------------------------|-------------------------------|
| | 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 | (42,026) | (14,176) | - | - | - | 56,202 |
| Revaluation gain/(losses) on Property Plant and Equipment | (2,829) | (16) | - | - | - | 2,845 |
| Movements in the market value of Investment Property | - | - | - | - | - | - |
| HRA Settlement | - | - | - | - | - | - |
| Capital grants and contributions applied | 26,576 | 24 | - | - | - | (26,600) |
| Movement in the Donated Assets Account | - | - | - | - | - | - |
| Capital expenditure funded from revenue | (3,379) | - | - | - | - | 3,379 |
| Revenue expenditure funded from capital under statute | (20,804) | (88) | - | - | - | 20,892 |
| 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 |
| Income recognised in respect of donated assets | - | - | - | - | - | - |
| Insertion of items not debited or credited to the Comprehensive Income and Expenditure Account: | | | | | | |
| Statutory provision for the financing of capital investment | 15,875 | 1,633 | - | - | - | (17,508) |
| Voluntary provision for the financing of capital expenditure | - | - | - | - | - | - |
| 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 | - | - | - |
| Contribution from the Capital Receipts Reserve to finance the payments to the Government capital receipts pool | - | - | - | - | - | - |

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

| Adjustment Continued | 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 |
| Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | - | - | - | - | - | - |
| Adjustments primarily involving the Major Repairs Reserve: | | | | | | |
| Transfer of HRA depreciation costs to Major Repairs Reserve | - | 13,965 | 0 | (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 Unequal Pay Back Pay Adjustment Account: | | | | | | |
| Amount by which amounts charged for Equal Pay claims to the Comprehensive Income and Expenditure Statement are different from the cost of settlements chargeable in the year in accordance with statutory requirements | - | - | - | - | - | - |
| 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 Earmarked Reserves: | | | | | | |
| Transfers from the General Fund and Housing Revenue Account to Earmarked Reserves | - | - | - | - | - | - |
| Transfers to the General Fund and Housing Revenue Account from Earmarked Reserves | - | - | - | - | - | - |
| Adjustment primarily involving DSG Deficit: | | | | | | |
| School budget deficit transferred from General Fund in accordance with statutory requirements | (12,570) | - | - | - | - | 12,570 |
| Total Adjustments | (29,776) | 3,572 | (5,410) | (892) | 10,866 | (21,640) |

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.

| 2025/26 | Balance at 31st March 2025 £000 | Transfers In 2025/26 £000 | Transfers Out 2025/26 £000 | Balance at 31st March 2026 £000 |
|---|------------------------------------|------------------------------|-------------------------------|------------------------------------|
| Ring-fenced Reserves | | | | |
| School Balances | 18,194 | 3,093 | (7,275) | 14,012 |
| NHS Joint Working Projects | 2,316 | 92 | (222) | 2,186 |
| Social Care Projects | 3,949 | 922 | (1,733) | 3,138 |
| Health & Wellbeing Projects | 758 | 922 | (72) | 1,608 |
| Housing Projects | 1,882 | 2,280 | (176) | 3,986 |
| Other City Development & Neighbourhood Projects | 3,199 | 2,324 | (1,441) | 4,082 |
| CHP Reserve | 2,689 | 343 | - | 3,032 |
| Public Health Grant | - | 1,065 | - | 1,065 |
| Pride in Place Program Reserve | - | 444 | - | 444 |
| Partnership Funds | 9,968 | 99 | (1,337) | 8,730 |
| Total Ring-fenced Reserves | 42,954 | 11,584 | (12,256) | 42,283 |
| Corporate Reserves | | | | |
| Capital Programme Reserve | 8,415 | 94,974 | (18,889) | 84,500 |
| Budget Strategy Reserve | 183,984 | 28,165 | (140,599) | 71,549 |
| BSF Financing | 6,090 | - | - | 6,090 |
| Insurance Fund | 2,246 | 362 | (678) | 1,930 |
| Severance Fund | 4,722 | - | - | 4,722 |
| Service Transformation Fund | 6,002 | - | (306) | 5,696 |
| Workforce Development Fund | 4,000 | - | (196) | 3,804 |
| Welfare Reserve | 1,291 | - | (1,291) | - |
| Adventure Playgrounds | - | 2,000 | - | 2,000 |
| LGR reserve | - | 14,000 | - | 14,000 |
| DSG deficit offset | - | 4,500 | - | 4,500 |
| Total Corporate Reserves | 216,750 | 144,001 | (161,960) | 198,792 |
| Earmarked Reserves Departmental | | | | |
| ICT Development Fund | 8,000 | - | (1,250) | 6,750 |
| Elections Reserve | 1,411 | - | - | 1,411 |
| LLBSP Reserve | - | 3,732 | - | 3,732 |
| Ward Committees | 79 | 102 | (77) | 104 |
| Other Departmental Reserves | 8,385 | 2,220 | (398) | 10,207 |
| Total Other Reserves | 17,875 | 6,054 | (1,725) | 22,205 |
| Total Earmarked Reserves | 277,580 | 161,640 | (175,941) | 263,279 |

Note 10 Movement in Earmarked Reserves (continued)

| 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 | 50,156 | 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 | 221,347 | 202,155 | (206,750) | 216,750 |
| Earmarked Reserves Departmental | | | | |
| ICT Development Fund | 10,453 | - | (2,453) | 8,000 |
| Elections Reserve | 1,811 | - | (400) | 1,411 |
| Ward Committees | 96 | 80 | (97) | 79 |
| 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 | 292,654 | 229,970 | (245,042) | 277,579 |

Note 11 Other Operating Income and Expenditure

| | 2024/25 | 2025/26 |
|--|----------------|--------------|
| | £000 | £000 |
| Total (gains)/losses on the disposal of non-current assets | 14,710 | 4,758 |
| Other operating income and expenditure | (19,483) | 427 |
| Total | (4,773) | 5,185 |

Note 12 Financing and Investment Income & Expenditure

| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| Interest payable and similar charges | 15,231 | 16,415 |
| Impairment losses (including reversals of impairment losses or impairment gains) on financial instruments | 897 | (97) |
| Pensions interest cost and expected return on pensions assets | 1,101 | 686 |
| Interest receivable and similar income | (6,422) | (5,091) |
| Total | 10,807 | 11,913 |

Note 13 Taxation and Non-Specific Grant Income & Expenditure

| | Restated 2024/25 | 2025/26 |
|---|---------------------|------------------|
| | £000 | £000 |
| Council Tax income | (153,818) | (164,022) |
| Non-domestic rates | (102,625) | (113,458) |
| Non-ringfenced government grant Income | (73,247) | (93,430) |
| Non-ringfenced government grant Expenditure | 18 | (15) |
| Capital grants and contributions | (32,830) | (50,565) |
| Donated Assets | - | (9,419) |
| Total | (362,502) | (430,909) |

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 following table.

| | 2024/25 | 2025/26 |
|--|--------------------|--------------------|
| | £000 | £000 |
| Expenditure | | |
| Employee Benefit Expenses | 427,890 | 424,539 |
| Other Services expenses | 694,008 | 688,580 |
| Depreciation, amortisation, impairment | 52,078 | 103,941 |
| Interest Payments | 15,259 | 17,101 |
| Precepts & Levies | 96 | 99 |
| (Gain)/ Loss on the Disposal of Assets | 14,710 | 4,758 |
| Total Expenditure | 1,204,041 | 1,239,018 |
| Income | | |
| Fees, charges and other service income | (225,819) | (219,015) |
| Interest & Investment Income | (6,422) | (5,091) |
| Income from Council Tax, non domestic rates | (256,443) | (269,847) |
| Government grants & contributions | (673,952) | (742,878) |
| Total Income | (1,162,637) | (1,236,831) |
| (Surplus) or Deficit on Provision of Services | 41,405 | 2,187 |

Note 15 Property, Plant and Equipment – Movement on Balances in 2025/2026

The first table in this note illustrates the change in the value of the Council's property, plant and equipment assets during 2025/26. The following tables provide additional detail on the basis for valuations of these assets and future capital expenditure already committed.

| Movements on Balances in 2025/26 | 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 2025 | 1,246,311 | 1,114,339 | 62,760 | 1,377 | 3,733 | 88,815 | 36,643 | 2,553,978 | 75,967 |
| Additions | 33,053 | 63,948 | 5,040 | - | 1,554 | 816 | 14,490 | 118,901 | 5,434 |
| Revaluation Increases/(Decreases) recognised in the Revaluation Reserve | 27,099 | 36,832 | - | 106 | 928 | 16,227 | - | 81,192 | 2,158 |
| Revaluation Increases/(Decreases) not recognised in the Revaluation Reserve | (20,751) | (28,417) | (144) | - | (275) | (657) | - | (50,244) | (949) |
| De-recognition – disposals | (23,474) | (14,540) | (1,288) | - | - | (331) | - | (39,633) | - |
| De-recognition – other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | (1,153) | - | - | - | (190) | - | (1,343) | - |
| Asset reclassified (other) | 4,112 | 26,672 | - | - | - | - | (30,784) | - | - |
| Other movements in cost or valuation | - | - | - | - | - | - | - | - | - |
| As at 31st March 2026 | 1,266,350 | 1,197,681 | 66,368 | 1,483 | 5,940 | 104,680 | 20,349 | 2,662,851 | 82,610 |

Note 15 Property, Plant and Equipment – Movement on Balances in 2025/2026 (continued)

| Movements on Balances in 2025/26 | 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 2025 | - | (3,404) | (37,576) | (306) | (4) | 37 | (170) | (41,423) | (12,291) |
| Depreciation Charge | (13,621) | (28,129) | (4,586) | (17) | (33) | (32) | - | (46,418) | (2,564) |
| Depreciation written out to the Revaluation Reserve | 13,375 | 24,112 | - | - | 5 | 48 | - | 37,540 | 1,144 |
| Depreciation written out to the Surplus/Deficit on the provision of services | - | 2,571 | - | - | - | 14 | - | 2,585 | 471 |
| De-recognition – disposals | 247 | 263 | 1,286 | - | - | - | 170 | 1,966 | - |
| As at 31st March 2026 | 1 | (4,587) | (40,876) | (323) | (32) | 67 | - | (45,750) | (13,240) |
| Net Book Value as at 31st March 2026 | 1,266,351 | 1,193,094 | 25,492 | 1,160 | 5,908 | 104,747 | 20,349 | 2,617,101 | 69,370 |

Note 15 Property, Plant and Equipment – Movement on Balances in 2024/2025

| Comparative Movements 24/25 | 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 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 | 43,397 | 5,684 | - | 684 | 1,682 | 27,443 | 118,211 | 13,912 |
| Revaluation | | | | | | | | | |
| Increases/(Decreases) recognised in the Revaluation Reserve | 449 | 75,241 | - | - | (45) | 5,140 | (419) | 80,366 | (3,750) |
| Revaluation | | | | | | | | | |
| Increases/(Decreases) not recognised in the Revaluation Reserve | - | (21,347) | (109) | (13) | (362) | 25,033 | (8,874) | (5,672) | (8,850) |
| De-recognition – disposals | (10,392) | (22,496) | (2,018) | - | - | (1,241) | - | (36,147) | - |
| De-recognition – other | - | - | - | - | - | - | - | - | - |
| Assets reclassified (to)/from Held for Sale | - | (17) | - | - | - | (12,750) | - | (12,767) | - |
| Asset reclassified (other) | - | 13,143 | - | - | - | - | (13,143) | - | - |
| Other movements in cost or valuation | - | - | - | - | - | - | - | - | - |
| As at 31st March 2025 | 1,246,311 | 1,114,339 | 62,760 | 1,376 | 3,734 | 88,816 | 36,644 | 2,553,980 | 75,967 |

Note 15 Property, Plant and Equipment – Movement on Balances in 2024/2025 (continued)

| Comparative Movements 24/25 | 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 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 | 21,313 | - | - | 28 | 2 | 7 | 34,285 | 1,667 |
| Depreciation written out to the Surplus/Deficit on the provision of services | - | 2,056 | - | - | - | - | 106 | 2,162 | 809 |
| De-recognition – disposals | 106 | 228 | 1,832 | - | - | - | - | 2,166 | - |
| As at 31st March 2025 | 2 | (3,405) | (37,575) | (306) | (4) | 38 | (170) | (41,420) | (12,291) |
| Net Book Value as at End of Current Year | 1,246,313 | 1,110,934 | 25,185 | 1,070 | 3,730 | 88,854 | 36,474 | 2,512,560 | 63,676 |

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 infra-structure 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.

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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.

| | 2024/25 | 2025/26 |
|--|----------------|----------------|
| | £000 | £000 |
| Net carrying amount at 1st April | 262,742 | 270,125 |
| Additions | 18,103 | 14,481 |
| Disposals | (729) | - |
| Depreciation | (9,991) | (9,968) |
| Revaluations | - | - |
| Net carrying amount at 31st March | 270,125 | 274,638 |

| | 2024/25 | 2025/26 |
|-------------------------------------|------------------|------------------|
| | £000 | £000 |
| Infrastructure Assets | 270,125 | 274,638 |
| Property, Plant and Equipment | 2,512,560 | 2,617,101 |
| Net Book Value at 31st March | 2,782,685 | 2,891,739 |

Note 15 Property, Plant and Equipment – Capital Commitments

At 31st March 2026, 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 2025 were £53.4m. The significant commitments are:

| Contract for Capital Investment | £000 |
|--|---------------|
| Stocking Farm | 19,292 |
| Hospital Close | 11,661 |
| Southfields / Newry New Build | 8,047 |
| Leicester Market Redevelopment Project | 4,781 |
| Vehicle Fleet Replacement | 1,692 |
| Leicester Museum and Art Gallery | 1,703 |
| BM/S - LTP Capital Monitoring (HAMS) | 776 |
| Flood Strategy | 783 |
| Connecting St Margaret's | 634 |
| Finance System Replacement | 369 |
| Phoenix Cladding | 954 |
| City Centre Security Phase 2 | 262 |
| Total | 50,954 |

Note 15 Property, Plant and Equipment – Indexation

From 1st April 2025, the Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requirements changed in respect of revaluations of property, plant and equipment. Where authorities do not have a rolling programme of revaluations in place, authorities revalue their assets every five years, with annual indexation applied to assets during the four intervening years. Where authorities cannot obtain indices without undue cost or effort, authorities revalue those assets using a quinquennial revaluation with a desktop revaluation in year three.

All valuations were carried out internally. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors. The significant assumptions applied in estimating the current values of property, plant and equipment are:

- Commercial Property Price Index applied as suitable index for assets subject to commercial use
- Agricultural Property Index applied as a suitable index for assets used for agricultural purposes
- Land Only Index applied as a suitable index for assets that are classified as Greenfield or Brownfield
- Changes in Building Cost Information Service (BCIS) rates used as a suitable index for assets revalued on a depreciated replacement cost basis

| Indexation | % Change | Sum of Gain/Loss Total £'000 |
|-----------------------------|--------------|---------------------------------|
| Commercial Property Index | -0.95% | (2,975) |
| Agricultural Property Index | -5.10% | (294) |
| Land Only Index | -2.72% | (585) |
| BCIS and Land Index | 3.12% | 26,162 |
| Total Change | 1.89% | 22,308 |

Note 15 Property, Plant and Equipment – Revaluations

| 2025/26 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 | - | 3,330 | 66,368 | 3 | 1,583 | - | 20,349 | 91,633 |
| Valued at fair or nominal value as at: | | | | | | | | |
| Pre 1st April 2012 | - | - | - | - | 72 | - | - | 72 |
| 1st April 2012 | - | - | - | - | - | - | - | - |
| 1st April 2013 | - | - | - | - | - | - | - | - |
| 1st April 2014 | - | - | - | 686 | - | - | - | 686 |
| 1st April 2015 | - | - | - | - | - | - | - | - |
| 1st April 2016 | - | - | - | - | - | - | - | - |
| 1st April 2017 | - | - | - | - | - | - | - | - |
| Valued @ 31st March 2019 | - | - | - | - | - | - | - | - |
| Valued @ 31st March 2020 | - | - | - | - | - | - | - | - |
| Valued @ 31st March 2021 | - | - | - | - | - | - | - | - |
| Valued @ 31st March 2022 | - | - | - | - | - | - | - | - |
| Valued @ 31st March 2023 | - | - | - | - | - | - | - | - |
| Valued @ 31st March 2024 | - | - | - | - | - | - | - | - |
| Valued @ 31st March 2025 | - | - | - | 688 | 3,240 | - | - | 3,928 |
| Valued @ 31st March 2026 | 1,266,350 | 1,194,351 | - | 106 | 1,045 | 104,680 | - | 2,566,532 |
| Total | 1,266,350 | 1,197,681 | 66,368 | 1,483 | 5,940 | 104,680 | 20,349 | 2,662,851 |
| Indexed @ 31st March 2026 | - | 1,101,709 | - | - | - | 104,245 | - | 1,205,954 |

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

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

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

The table above includes a separate line at the bottom to show how much of the total £2.7bn relates to indexation.

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 2025/26 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 2025/26 | Buildings | Museum Exhibits | Statues & Monuments | Total Assets |
|------------------------------|--------------|-----------------|---------------------|----------------|
| | £000 | £000 | £000 | £000 |
| Cost or Valuation | | | | |
| At 1st April 2025 | 2,653 | 112,627 | 4,537 | 119,818 |
| Revaluations | - | 775 | 16 | 791 |
| As at 31st March 2026 | 2,653 | 113,402 | 4,553 | 120,609 |

| 2024/25 Comparative Movements | Buildings | Museum Exhibits | Statues & Monuments | Total 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 |

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.

| | 2024/25 | 2025/26 |
|--|--------------|--------------|
| | £000 | £000 |
| Balance at 1st April | | |
| Gross Carrying Amounts | 4,672 | 5,462 |
| Accumulated Amortisation | (3,914) | (4,223) |
| Net carrying amount at 1st April | 758 | 1,239 |
| Additions (Purchases) | 790 | 914 |
| Impairment losses recognised in the Surplus/Deficit on the Provision of Services | - | - |
| Amortisation applied in Year | (309) | (467) |
| Gross Carrying Amount at 31st March | 5,462 | 6,376 |
| Accumulated Amortisation | (4,223) | (4,690) |
| Net Carrying Amount at 31st March | 1,239 | 1,686 |

Note 18a Financial Instruments - Classifications

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

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

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

| Financial Assets | Long Term | | Short Term | |
|---|------------------|------------------|-----------------|-----------------|
| | 31st March 2025 | 31st March 2026 | 31st March 2025 | 31st March 2026 |
| | £000 | £000 | £000 | £000 |
| <i>Measured at Amortised cost</i> | | | | |
| - Principal at amortised cost | 10,000 | 5,000 | 15,000 | 20,000 |
| - Accrued interest | - | - | 567 | 675 |
| <i>Measured at fair value</i> | | | | |
| | - | - | 4,548 | 4,360 |
| Total Investments | 10,000 | 5,000 | 20,115 | 25,035 |
| <i>Measured at Amortised cost</i> | | | | |
| - Cash (including bank accounts) | - | - | 47,110 | 41,673 |
| <i>Measured at fair value</i> | | | | |
| - Cash equivalents | - | - | 21,840 | 61,784 |
| Total Cash and Cash Equivalents | - | - | 68,950 | 103,457 |
| <i>Measured at Amortised cost</i> | | | | |
| - Trade receivables and other debtors | 4,436 | 4,287 | 51,769 | 85,753 |
| - Loans made for service purposes | 5,293 | 2,042 | 358 | 1,721 |
| Included in Debtors | 9,729 | 6,329 | 52,127 | 87,474 |
| Total Financial Assets | 19,729 | 11,329 | 141,192 | 215,966 |
| Assets not defined as Financial Instruments | 2,903,737 | 3,014,031 | 61,943 | 30,409 |
| Total | 2,923,466 | 3,025,360 | 203,135 | 246,375 |

Note 18a Financial Instruments – Classifications (continued)

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

| Financial Liabilities | Long Term | | Short Term | |
|--|-----------------|-----------------|-----------------|-----------------|
| | 31st March 2025 | 31st March 2026 | 31st March 2025 | 31st March 2026 |
| | £000 | £000 | £000 | £000 |
| <i>Measured at Amortised cost</i> | | | | |
| - Principal sum borrowed | 134,491 | 219,473 | 20,000 | 22,393 |
| - Accrued interest | | | 1,279 | 2,323 |
| - EIR adjustments | 608 | - | | - |
| Total Borrowing | 135,099 | 219,473 | 21,279 | 24,716 |
| <i>Measured at Amortised cost</i> | | | | |
| Finance leases | 9,182 | 9,080 | - | - |
| - PFI arrangements | 64,065 | 60,556 | - | - |
| - Other | 304 | 201 | - | - |
| Included in Other Long-term Liabilities | 73,551 | 69,837 | - | - |
| <i>Measured at Amortised cost</i> | | | | |
| - Finance leases | - | - | 63 | 891 |
| - PFI arrangements | - | - | 6,531 | 8,547 |
| - Trade payables and other creditors | - | - | 106,659 | 107,392 |
| Included in Short term Creditors | - | - | 113,253 | 116,830 |
| Total Financial Liabilities | 208,650 | 289,310 | 134,532 | 141,546 |
| Liabilities not defined as Financial Instruments | 69,547 | 64,895 | 75,092 | 52,458 |
| Total | 278,197 | 354,205 | 209,624 | 194,004 |

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:

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| | Financial Liabilities | Financial Assets | | |
|--|-----------------------|------------------|--------------|----------------|
| | Amortised Cost | Amortised Cost | Other | 2025/26 Total |
| | £000 | £000 | £000 | £000 |
| Financial assets measured at fair value through profit or loss | - | (97) | | (97) |
| Financial assets measured at amortised cost | - | 1,629 | - | 1,629 |
| Net (gains)/losses | - | 1,532 | - | 1,532 |
| Interest expense | 17,004 | - | - | 17,004 |
| Interest payable and similar charges | - | - | - | 17,004 |
| Interest income | - | (4,928) | - | (4,928) |
| Dividends | - | - | (164) | (164) |
| Interest and investment income | - | (4,928) | (164) | (5,092) |
| Net (Gain)/Loss for the Year | - | (3,396) | (164) | 13,444 |

| | 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 |
| Financial assets measured at amortised cost | - | - | - | - |
| Net (gains)/losses | - | - | 897 | 897 |
| Interest expense | 15,230 | - | - | 15,230 |
| Interest payable and similar charges | 15,230 | - | - | 15,230 |
| Interest income | - | (6,181) | - | (6,181) |
| Dividends | - | - | (241) | (241) |
| Interest and investment income | - | (6,181) | (241) | (6,422) |
| Net (Gain)/Loss for the Year | 15,230 | (6,181) | 656 | 9,705 |

Note 18c Financial Instruments – Fair Values

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

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

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

Fair Value Determination Methods

- Cash Equivalents - Money Market Funds: Valued at Level 1 using quoted market prices.
- Property Unit Trusts: Valued at Level 2 using observable market inputs.

- Long-term Loans to Local Authorities and Companies: Valued at Level 2 using observed market rates for similar instruments.
- Finance Lease: Valued at Level 2 based on discounting future lease payments.
- Long-term Loans from PWLB: 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 2026 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 2025 | | 31st March 2026 | |
|---|------------------|--------------------|-----------------|--------------------|-----------------|
| | 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 | 21,840 | 21,840 | 61,784 | 61,784 |
| Property Unit Trusts | 2 | 4,548 | 4,548 | 4,360 | 4,360 |
| <i>Financial assets held at amortised cost:</i> | | | | | |
| Long-term loans to local authorities | 2 | 10,000 | 10,352 | 5,000 | 5,077 |
| Long-term loans to companies | 2 | 4,717 | 4,717 | 1,494 | 1,494 |
| Finance Lease | 3 | 576 | 576 | 547 | 547 |
| Total | | 41,681 | 42,033 | 73,185 | 73,262 |
| Assets for which fair value is not disclosed * | | 119,239 | - | 154,109 | - |
| Total Financial Assets | | 160,920 | 42,033 | 227,294 | 73,262 |
| <i>Recorded on balance sheet as:</i> | | | | | |
| Long-term debtors | | 9,729 | | 6,329 | |
| Long-term investments | | 10,000 | | 5,000 | |
| Short-term debtors | | 52,127 | | 87,474 | |
| Short-term investments | | 20,114 | | 25,035 | |
| Cash and cash equivalents | | 68,950 | | 103,457 | |
| Total Financial Assets | | 160,920 | | 227,295 | |

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

Note 18c Financial Instruments – Fair Values (continued)

| | Fair Value Level | 31st March 2025 | | 31st March 2026 | |
|--|------------------|-----------------|----------------|-----------------|----------------|
| | | Balance Sheet | Fair Value | Balance Sheet | Fair Value |
| | | £000 | £000 | £000 | £000 |
| <i>Financial liabilities held at amortised cost:</i> | | | | | |
| Long-term loans from PWLB | 2 | 134,491 | 103,709 | 219,473 | 206,477 |
| Long-term LOBO loans | 2 | - | - | - | - |
| Total | | 134,491 | 103,709 | 219,473 | 206,477 |
| Liabilities for which fair value is not disclosed * | | 208,691 | | 211,384 | |
| Total Financial Liabilities | | 343,182 | 103,709 | 430,857 | 206,477 |
| <i>Recorded on balance sheet as:</i> | | | | | |
| Short-term creditors | | 113,253 | | 116,830 | |
| Short-term borrowing | | 21,887 | | 24,716 | |
| Long-term borrowing | | 134,491 | | 219,473 | |
| Other long-term liabilities | | 73,551 | | 69,837 | |
| Total Financial Liabilities | | 343,182 | | 430,856 | |

*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 £62m as at 31st March 2026 (£22m as at 31st March 2025) 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 (£25m as at 31st March 2025). 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 2026 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 £19.3m was made in 2025/26 (£15.6m in 2024/25). 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) | Restated 31st March 2025* | 31st March 2026 |
|--------------------------|------------------------------|-----------------|
| | £000 | £000 |
| Not over 1 | 20,000 | 25,000 |
| Over 1 but not over 2 | - | 25,000 |
| Over 2 but not over 5 | - | 28,125 |
| Over 5 but not over 10 | - | 29,250 |
| Over 10 but not over 20 | - | - |
| Over 20 but not over 30 | 125,033 | 134,491 |
| Over 30 | 9,458 | - |
| Total | 154,491 | 241,866 |

*Restated to remove PFI and Lease liabilities as the maturity profiling is already included in the PFI and Lease disclosure notes. Transferred Debt has also been removed as it is not classified as a financial instrument.

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

c) Market Risks

Interest Rate Risk

The Council is exposed to risk in terms of its exposure to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council. For instance, a rise in interest rates would have the following effects:

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

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

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

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

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

| | £000 |
|--|------------|
| Increase in interest receivable on variable rate investments | 661 |
| Increase in interest receivable on short term investments | 125 |
| Increase in interest payable on variable rate loans | - |
| Impact on Surplus or Deficit on the Provision of Services | 786 |
| Decrease in fair value of available for sale financial assets | - |
| Impact on Comprehensive Income and Expenditure | - |
| Decrease in fair value of loans and receivables * | 68 |
| Decrease in fair value of fixed rate borrowings/liabilities * | 14,315 |

*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 2025 | Balance at 31st March 2026 |
|-----------------------|-------------------------------|-------------------------------|
| | £000 | £000 |
| Consumable Stores | 368 | 398 |
| Maintenance Materials | 2,433 | 2,720 |
| Work in Progress | 450 | 449 |
| Total | 3,251 | 3,567 |

Note 20 Debtors

Long-Term Debtors

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

| | Balance at 31st March 2025 | Balance at 31st March 2026 |
|-------------------------|-------------------------------|-------------------------------|
| | £000 | £000 |
| PFI & Other Leases | 3,265 | 3,579 |
| Other Long Term Debtors | 6,464 | 2,750 |
| Total | 9,729 | 6,329 |

13 Short-Term Debtors

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

| | Balance at 31st March 2025 | Balance at 31st March 2026 |
|---|-------------------------------|-------------------------------|
| | £000 | £000 |
| Central Government bodies | 19,085 | 15,218 |
| Other Local Authorities | 12,187 | 14,125 |
| NHS bodies | 2,710 | 5,428 |
| Public Corporations and Trading Funds | - | 1 |
| Other Entities and Individuals | 32,691 | 36,998 |
| Payments in Advance | 9,024 | 8,943 |
| Local Taxation (Council Tax & Business Rates) | 21,196 | 19,508 |
| Total | 96,892 | 100,222 |

Note 21 Cash and Cash Equivalents

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

| | Balance at 31st March 2025 | Balance at 31st March 2026 |
|--|-------------------------------|-------------------------------|
| | £000 | £000 |
| Cash held by the Council | 26 | 26 |
| Bank | 47,084 | 41,647 |
| Short-term deposits | 21,840 | 61,784 |
| Total Cash and Cash Equivalents | 68,950 | 103,457 |

Note 22 Assets Held for Sale

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

| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| Balance at 1st April | 3,084 | 14,201 |
| Property, Plant and Equipment newly classified as held for sale | 12,767 | 1,344 |
| Property, Plant and Equipment declassified as held for sale | - | - |
| Assets Sold | (528) | (1,177) |
| Other Adjustments | (1,122) | (274) |
| Balance at 31st March | 14,201 | 14,094 |

Note 23 Creditors

The value of creditors as at 31st March:

| | Balance at 31st March 2025 £000 | Balance at 31st March 2026 £000 |
|---------------------------------------|--|--|
| Central Government bodies | 20,285 | 11,658 |
| Other Local Authorities | 9,334 | 8,959 |
| NHS bodies | 956 | 440 |
| Public Corporations and Trading Funds | - | 2 |
| Other Entities and Individuals | 115,607 | 123,154 |
| Receipts in Advance | 29,010 | 21,753 |
| Total | 175,192 | 165,966 |

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 £5.4m is held as a provision, being the amount that the Council estimates will be required to meet claims already received. A further sum of £1.9m 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 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 £10m (Council share of £4.9m).

| | Insurance | Biffa Leicester Waste | Housing | Business Rate Appeals | Total |
|-----------------------------------|--------------|-----------------------------|------------|-----------------------------|---------------|
| | £000 | | £000 | £000 | £000 |
| Balance at 1st April 2024 | 4,479 | | 485 | 4,392 | 9,356 |
| 2024/25 Provisions/(Reductions) | 1,246 | 10,000 | 15 | (3,000) | - |
| Amounts used in 2024/25 | - | - | - | 1,392 | 1,392 |
| Balance at 1st April 2025 | 5,725 | 10,000 | 500 | 2,784 | 19,009 |
| 2025/26 Provisions/(Reductions) | (362) | (10,000) | - | 3,823 | (6,539) |
| Amounts used in 2025/26 | - | - | - | (1,688) | (1,688) |
| Balance at 31st March 2026 | 5,363 | - | 500 | 4,919 | 10,782 |

Note 25 Usable Reserves

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

| | Opening Balance £000 | Movement £000 | Closing Balance £000 | Supporting Note |
|------------------------------------|----------------------------|------------------|----------------------------|---------------------------------|
| General Fund | (15,000) | - | (15,000) | MIRS and Narrative Statement |
| Earmarked Reserves | (277,580) | 14,300 | (263,280) | Note 10 and Narrative Statement |
| Total General Fund Reserves | (292,580) | 14,300 | (278,280) | |
| Housing Revenue Account | (22,593) | 5,536 | (17,057) | HRA Statements and Notes |
| Major Repairs Reserve | (893) | (2,715) | (3,608) | Note 9 and HRA Note 13 |
| Capital Receipts Reserve | (130,064) | 17,610 | (112,454) | Note 9 and HRA Note 13 |
| Capital Grants Unapplied Reserve | (14,477) | (23,153) | (37,630) | Note 9 and HRA Note 13 |
| Total Usable Reserves | (460,607) | 11,578 | (449,029) | |

Note 26a Unusable Reserves

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

| | 31st March 2025 £000 | 31st March 2026 £000 |
|--|----------------------------|----------------------------|
| Revaluation Reserve | (1,211,728) | (1,306,080) |
| Capital Adjustment Account | (1,049,328) | (1,066,416) |
| Financial Instruments Adjustment Account | 19,287 | 18,017 |
| Deferred Capital Receipts Reserve | (962) | (935) |
| Pensions Reserve | 30,185 | 27,958 |
| Collection Fund Adjustment Account | 1,664 | 5,152 |
| Accumulated Absences Account | 10,489 | 9,914 |
| Dedicated Schools Grant Adjustment Account | 22,219 | 37,891 |
| Total Unusable Reserves | (2,178,174) | (2,274,497) |

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.

| | 2024/25 | 2025/26 |
|--|--------------------|--------------------|
| | £000 | £000 |
| Balance at 1st April | (1,133,642) | (1,211,725) |
| Upward revaluation of assets | (177,468) | (135,827) |
| Downward revaluation of assets and impairment losses not charged to the (Surplus)/Deficit on the Provision of Services | 64,333 | 16,304 |
| (Surplus) or deficit on revaluation of non-current assets not posted to the Surplus or Deficit on the Provision of Services | (113,135) | (119,523) |
| Difference between fair value depreciation and historical cost depreciation | 21,629 | 16,209 |
| Accumulated gains on assets sold or scrapped | 13,423 | 8,961 |
| Balance at 31st March | (1,211,725) | (1,306,078) |

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.

| | 2024/25 | 2025/26 |
|--|--------------------|--------------------|
| | £000 | £000 |
| Balance at 1st April | (1,041,270) | (1,049,328) |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement: | | |
| Charges for depreciation & impairment | 55,895 | 85,952 |
| Revaluation (gain)/loss on Property, Plant and Equipment | 2,845 | 19,627 |
| Amortisation of intangible assets | 308 | 467 |
| Revenue expenditure funded from capital under statute | 20,892 | 15,677 |
| 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 | 34,508 | 39,663 |
| | (926,822) | (887,942) |
| Adjusting amounts written out of the Revaluation Reserve | (35,052) | (25,170) |
| Net written out amount of the cost of non-current assets consumed in the year | (961,874) | (913,112) |
| Capital financing applied in the year: | | |
| Use of the Capital Receipts Reserve to finance new capital expenditure | (14,415) | (52,545) |
| Use of the Major Repairs Reserve to finance new capital expenditure | (13,073) | (11,875) |
| Capital Grants, Contributions & Donated Assets credited to the Income and Expenditure Statement that have been applied to capital financing | (45,839) | (49,510) |
| Statutory provision for the financing of capital investment charged against the General Fund and HRA balances | (17,507) | (19,773) |
| Capital expenditure charged against the General Fund and HRA balances | 3,379 | (19,602) |
| Balance at 31st March | (1,049,328) | (1,066,416) |

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.

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| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| Balance at 1st April | 19,947 | 19,285 |
| Proportion of discounts incurred in previous financial years to be credited to the General Fund Balance in accordance with statutory requirements | (662) | (1,270) |
| Balance at 31st March | 19,285 | 18,015 |
| 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 | (662) | (1,270) |

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.

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| | 2024/25 | 2025/26 |
|---|--------------|--------------|
| | £000 | £000 |
| Balance at 1st April | (989) | (962) |
| Transfer to the Capital Receipts Reserve upon receipt of cash | 27 | 28 |
| Balance at 31st March | (962) | (934) |

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.

| | 2024/25 | 2025/26 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance at 1st April | 34,355 | 30,185 |
| Remeasurement of the Net Defined Benefit Liability | 19,283 | 32,590 |
| 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 | 40,698 | 30,063 |
| Employer's pensions contributions and direct payments to pensioners payable in the year | (64,151) | (64,880) |
| Balance at 31st March | 30,185 | 27,958 |

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.

| | 2024/25 | 2025/26 |
|--|--------------|--------------|
| | £000 | £000 |
| Balance at 1st April | (465) | 1,663 |
| 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 | 3,488 |
| Balance at 31st March | 1,663 | 5,151 |

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| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| Balance at 1st April | 6,449 | 10,489 |
| Settlement or cancellation of accrual made at the end of the preceding year | (6,449) | (10,489) |
| Amounts accrued at the end of the current year | 10,489 | 9,914 |
| 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 | 4,040 | (575) |
| Balance at 31st March | 10,489 | 9,914 |

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 2026, 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.

| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| Balance at 1st April | 9,648 | 22,218 |
| School budget deficit transferred from General Fund in accordance with statutory requirements | 12,570 | 15,672 |
| Balance at 31st March | 22,218 | 37,890 |

Note 27 Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

| | 2024/25 | 2025/26 |
|---------------------|--------------|---------------|
| | £000 | £000 |
| Interest received | (6,422) | (5,091) |
| Interest paid | 16,067 | 16,415 |
| Net interest | 9,645 | 11,324 |

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

| | £000 | £000 |
|---|------------------|-----------------|
| Depreciation | (52,780) | (56,386) |
| Downward revaluations, impairment losses and reversal of prior year impairments | (3,510) | (47,659) |
| Amortisation | (308) | (467) |
| Increase / (decrease) in creditors | (14,781) | 5,072 |
| (Increase) / decrease in debtors | (4,464) | 2,257 |
| (Increase) / decrease in inventories | (1) | 316 |
| Movement in pension liability | 23,453 | 34,817 |
| Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (35,238) | (38,844) |
| Other non-cash items charged to the net surplus or deficit on the provision of services | (12,447) | 8,325 |
| | (100,076) | (92,569) |

Note 27 Cash Flow Statement – Operating Activities (continued)

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

| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| Capital Grants credited to surplus or deficit on the provision of services | 34,943 | 63,218 |
| Proceeds from the sale of property plant and equipment, investment property and intangible assets | 20,238 | 35,558 |
| | 55,181 | 98,776 |

Note 28 Cash Flow Statement – Investing Activities

| | 2024/25 | 2025/26 |
|--|--------------|---------------|
| | £000 | £000 |
| Purchase of property, plant and equipment and intangible assets | 137,103 | 134,296 |
| Purchase of short-term and long-term investments | 318,550 | 5,000 |
| Proceeds from sale of property, plant and equipment and intangible assets | (20,238) | (35,558) |
| Proceeds from short-term and long-term investments | (391,549) | (5,284) |
| Capital Grants credited to surplus or deficit on the provision of services | (34,943) | (63,218) |
| Other receipts and payments from investing activities | (4,956) | 987 |
| Net Cash Flows from Investing Activities | 3,967 | 36,223 |

Note 29 Cash Flow Statement – Financing Activities

| | 2024/25 | 2025/26 |
|---|---------------|-----------------|
| | £000 | £000 |
| Cash receipts of short and long-term borrowing | (51,200) | (150,393) |
| Cash payments for the reduction of the outstanding liabilities relating to finance leases and PFI contracts | 7,317 | 7,646 |
| Repayments of short and long-term borrowing | 65,275 | 63,626 |
| Net Cash Flows from Financing Activities | 21,392 | (79,121) |

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 £0.5m (Adult Social Care contribution of £0.45m and Education contribution of £0.05m) to the pool during 2025/26 (in 2024/25 this was £0.60m Adult Social Care and £0.07m 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.

| | 2024/25 | 2025/26 |
|---|--------------|--------------|
| | £000 | £000 |
| Funding provided to the pooled budget: | | |
| Leicester City Council | 671 | 508 |
| Leicestershire County Council | 1,255 | 949 |
| Rutland County Council | 73 | 55 |
| NHS Leicester, Leicestershire & Rutland ICB | 4,372 | 4,730 |
| Total Funding provided to the pooled budget | 6,371 | 6,242 |
| Total Expenditure met from the pooled budget | 6,242 | 6,193 |

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 £25.2m to the pool in 25/26 (£22.7m Adult Social Care and £2.5m City Development and Neighbourhoods). In 24/25 this was £20.9m (£18.6m Adult Social Care and 2.3m City Development and Neighbourhood). This expenditure is also included in those respective lines in the Comprehensive Income and Expenditure statement.

| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| <u>Income</u> | | |
| Revenue | | |
| ICB Minimum Fund | 31,410 | 36,526 |
| Improved Better Care Fund (IBCF) | 17,557 | 21,659 |
| Total Revenue Income | 48,967 | 58,185 |
| Capital Disabled Facilities Grant | 3,367 | 3,604 |
| Total Income | 52,334 | 61,789 |
| <u>Expenditure</u> | | |
| Revenue | | |
| Actual Spend incurred by LCC managed schemes incl IBCF | 38,436 | 44,644 |
| Actual spend incurred by ICB & LPT (Leicestershire Partnership Trust) managed schemes | 10,530 | 13,539 |
| Total Revenue Expenditure | 48,966 | 58,183 |
| Capital | | |
| Disabled Facilities Grant | 3,368 | 3,273 |
| Total Capital Expenditure | 3,368 | 3,273 |
| Total Expenditure | 52,334 | 61,456 |

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:

| | 2024/25 | 2025/26 |
|---------------------------------|------------------|------------------|
| | £ | £ |
| Basic Allowance Payments | 727,236 | 748,318 |
| Special Responsibility Payments | 373,407 | 364,064 |
| General Expense Payments | 761 | 781 |
| Total | 1,101,404 | 1,113,163 |

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 2025/26, 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 2025/26 with comparative data from 2024/25 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 | 167,084 | 43,182 | - | 210,266 |
| | 2024/25 | 161,909 | 41,624 | - | 203,533 |
| Director of Corporate Services | 2025/26 | 100,590 | 24,065 | - | 124,655 |
| | 2024/25 | 96,189 | 22,842 | - | 119,031 |
| Director of Finance - S151 Officer | 2025/26 | 107,883 | 29,991 | - | 137,874 |
| | 2024/25 | 101,007 | 28,080 | - | 129,087 |
| City Barrister & Head of Standards - Monitoring Officer (Note 1) | 2025/26 | 90,607 | 25,139 | - | 115,746 |
| | 2024/25 | 87,803 | 24,359 | - | 112,162 |
| Strategic Director Social Care and Education | 2025/26 | 146,473 | 40,669 | - | 187,142 |
| | 2024/25 | 141,951 | 39,408 | - | 181,359 |
| Strategic Director City Development & Neighbourhoods - Richard Sword | 2025/26 | 156,596 | 43,534 | - | 200,130 |
| | 2024/25 | 151,740 | 42,184 | - | 193,924 |
| Director of Public Health | 2025/26 | 111,708 | 31,005 | - | 142,713 |
| | 2024/25 | 104,718 | 29,062 | - | 133,780 |
| Principal Ellesmere College - Stephanie Beale | 2025/26 | 175,811 | 50,423 | - | 226,234 |
| | 2024/25 | 164,959 | 47,310 | - | 212,269 |

Notes:

1) The City Barrister works on a part time basis

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.

Most of the increase of 244 employees receiving remuneration in excess of £50k is attributable to the reporting threshold remaining fixed at £50k, as prescribed by regulations. Staff salaries, however, are subject to annual pay increases as and when these are awarded, resulting in a greater number of employees falling within the scope of this disclosure over time.

| Remuneration Band £ | Number of Employees | | | | | |
|------------------------|---------------------|------------|------------|------------|------------|--------------|
| | Non-Schools | | Schools | | Total | |
| | 2024/25 | 2025/26 | 2024/25 | 2025/26 | 2024/25 | 2025/26 |
| 50,000-54,999 | 205 | 292 | 163 | 189 | 368 | 481 |
| 55,000-59,999 | 81 | 128 | 77 | 114 | 158 | 242 |
| 60,000-64,999 | 44 | 43 | 30 | 58 | 74 | 101 |
| 65,000-69,999 | 38 | 40 | 23 | 14 | 61 | 54 |
| 70,000-74,999 | 15 | 20 | 20 | 16 | 35 | 36 |
| 75,000-79,999 | 19 | 30 | 25 | 20 | 44 | 50 |
| 80,000-84,999 | 5 | 4 | 9 | 24 | 14 | 28 |
| 85,000-89,999 | 4 | 1 | 5 | 6 | 9 | 7 |
| 90,000-94,999 | - | 4 | 6 | 10 | 6 | 14 |
| 95,000-99,999 | 1 | - | 3 | 2 | 4 | 2 |
| 100,000-104,999 | 4 | 1 | 3 | 3 | 7 | 4 |
| 105,000-109,999 | 3 | 4 | - | 3 | 3 | 7 |
| 110,000-114,999 | 1 | 2 | 1 | - | 2 | 2 |
| 115,000-119,999 | - | - | 2 | - | 2 | - |
| 120,000-124,999 | - | 1 | 3 | 1 | 3 | 2 |
| 125,000-129,999 | - | - | - | 3 | - | 3 |
| 130,000-134,999 | - | - | - | 1 | - | 1 |
| Total | 420 | 570 | 370 | 464 | 790 | 1,034 |

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 | |
|---|------------|------------|
| | 2024/25 | 2025/26 |
| | £000 | £000 |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 447 | 437 |
| Fees payable for the certification of grant claims and returns for the year | 173 | 173 |
| Fees payable in respect of other services provided during the year | - | 9 |
| Total | 620 | 619 |

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 1st April 2020 to 31st March 2028 require that, where Local Authorities incur a deficit, that it must be carried forward in the schools budget. Therefore, this deficit is included in the unusable reserve titled DSG Grant Adjustment Account in Note 26. The government has announced that additional funding will be provided to cover 90% of the deficit incurred to March 2026.

Details of the deployment of DSG receivable for 2025/26 are as follows:

| 2025/26 | Central Expenditure | Individual Schools Budget | Total |
|--|------------------------|---------------------------------|-----------------|
| | £000 | £000 | £000 |
| Final DSG for 2025/26 before Academy recoupment | - | - | 494,811 |
| Academy figure recouped for 2025/26 | - | - | (224,144) |
| Total DSG after Academy recoupment for 2025/26 | - | - | 270,667 |
| Agreed initial budgeted distribution in 2025/26 | 130,296 | 140,371 | 270,667 |
| In year adjustments | (1,070) | 69 | (1,001) |
| Final budgeted distribution for 2025/26 | 129,226 | 140,440 | 269,666 |
| Actual central expenditure for the year | (144,899) | - | (144,899) |
| Actual ISB deployed to schools | - | (140,440) | (140,440) |
| In year Carry forward to 2026/27 | (15,673) | - | (15,673) |
| DSG unusable Reserve at the end of 2024/25 | | | (22,218) |
| Total of DSG unusable reserve at the end of 2025/26 | | | (37,891) |

| 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) |

Note 35 Grant Income

Capital grants recognised in the year

The Council received the following capital grants in 2025/26.

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.

| | 2024/25 | 2025/26 |
|--|--------------|---------------|
| | £000 | £000 |
| Credited to Services (All REFCUS related) | | |
| DFT Bus Service Improvement Grant | - | 7,997 |
| Disabled Facilities Grant | - | 2,183 |
| Devolved Formula Capital Grant | 517 | 1,125 |
| Levelling Up Fund | 977 | 444 |
| Green Homes Grant | - | 404 |
| Other DFE Grants | - | 235 |
| Other | 456 | 202 |
| Department for Environmental, Food & Rural Affairs | - | 63 |
| DFE Basic Need Grant | 163 | - |
| Total Credited to Services | 2,113 | 12,653 |

Note 35 Grant Income (continued)

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| | 2024/25 | 2025/26 |
|---|---------------|---------------|
| | £000 | £000 |
| Credited to Taxation & Non-Specific Grant Income | | |
| DFT Local Transport Grant | - | 9,520 |
| DFE Capital Maintenance Grant | 7,069 | 6,684 |
| DFE Basic Need Grant | 2,048 | 6,496 |
| DFT Maintenance Grant | 3,262 | 5,366 |
| High Needs Provision Capital | 1,291 | 3,904 |
| DFT LEVI Grant | - | 3,380 |
| Levelling Up Fund | 4,203 | 2,913 |
| DFT Active Travel Fund Grant | - | 2,614 |
| DFT Integrated Transport Grant | 2,576 | 2,576 |
| Homes England Grant | 3,185 | 2,206 |
| Other DFT Grants | 996 | 1,014 |
| Local Authority Housing Fund | 1,512 | 915 |
| S106 Contributions | 514 | 637 |
| Other DFE Grants | 285 | 547 |
| Sustrans | - | 453 |
| DESNZ | - | 428 |
| Football Foundation Grant | - | 332 |
| Arts Council England | - | 271 |
| Other | 5,170 | 285 |
| Department for Environmental, Food & Rural Affairs | - | 22 |
| Green Homes Grant | 11 | 2 |
| Business Rates Pool | 537 | - |
| Devolved Formula Capital Grant | 171 | - |
| Total Credited to Taxation & Non-Specific Grant Income | 32,830 | 50,565 |

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:

| | 2024/25 | 2025/26 |
|--|---------------|--------------|
| | £000 | £000 |
| Capital Grants Receipts in Advance | | |
| Department for Environmental, Food & Rural Affairs | - | 2,241 |
| Disabled Facilities Grant | 1,449 | 1,812 |
| Local Authority Housing Fund | 2,789 | 1,693 |
| Homes England Grant | 2,267 | 867 |
| Pride in Place | - | 750 |
| Arts Council England | - | 193 |
| Other DFE Grants | 1,021 | 287 |
| Salix | 22 | 22 |
| Other DFT Grants | 1,922 | - |
| Devolved Formula Capital Grant | 8 | - |
| Green Homes Grant | 60 | - |
| Other | 2,700 | 16 |
| Total Capital Grants Receipts in Advance | 12,238 | 7,881 |
| Capital Receipts not Recognised (deposits) | 14 | 14 |
| Total Received in Advance | 12,252 | 7,895 |

Note 35 Grant Income (continued)

Revenue grants recognised in the year

The Council received the following revenue grants in 2025/26.

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.

| | 2024/25 | 2025/26 |
|---|----------------|----------------|
| | £000 | £000 |
| Credited to Taxation & Non-Specific Grant Income | | |
| Revenue Support Grant | 35,626 | 36,321 |
| Business rates relief compensation | 34,002 | 34,164 |
| New Homes Bonus Scheme | 1,513 | 774 |
| Other | 707 | - |
| Household Packaging Waste | - | 7,274 |
| Employers NI | - | 3,235 |
| Recovery Grant | - | 11,663 |
| BRRG top Up | 459 | - |
| Business Rates Reconciliation Grant | 128 | - |
| Total Credited to Taxation & Non-Specific Grant Income | 72,435 | 93,431 |
| Credited to Services | | |
| Children's and Education Services | | |
| Dedicated Schools Grant (see note 34) | 257,014 | 270,736 |
| Other Education | 39,507 | 29,026 |
| Pupil Premium | 11,103 | 10,690 |
| Other Covid-19 Grants | 490 | - |
| School Budget Support Grant | - | 1,387 |
| Adult Social Care | | |
| Improved Better Care Fund | 17,556 | 21,616 |
| Social Services Support Grant | 36,695 | 43,451 |
| Other Adult Social Care | 12,831 | 8,762 |
| Other Covid-19 Grants | 37 | - |
| Public Health | | |
| Public Health Grant | 30,433 | 32,331 |
| Other Public Health | 5,129 | 5,710 |
| City Development, Neighbourhoods & Housing | | |
| Other City Development, Neighbourhoods & Housing | 24,376 | 24,235 |
| Waste PFI | 2,591 | 13,486 |
| Waste Re- procurement costs | 468 | 220 |
| Regulatory Services | 29 | 79 |
| Corporate and Resources | | |
| Housing Benefit Subsidies | 70,212 | 55,609 |
| Other Corporate and Resources | 9,226 | 9,834 |
| Housing Benefit & Council Tax Benefit Admin Grant | 1,013 | 1,004 |
| Total Credited to Services | 518,710 | 528,176 |
| Total Recognised in Year | 591,145 | 621,607 |

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:

| | 2024/25 | 2025/26 |
|---|--------------|--------------|
| | £000 | £000 |
| Adult Social Care | | |
| Other Adult Social Care | - | - |
| City Development, Neighbourhoods & Housing | | |
| City Development, Neighbourhoods & Housing | - | 45 |
| Housing | | |
| Other City Development, Neighbourhoods & Housing | 453 | 3,011 |
| Corporate and Resources | | |
| Other Corporate and Resources | 228 | 405 |
| Public Health | | |
| Public Health | 1141 | 196 |
| Total Receipts in Advance | 1,822 | 3,657 |

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, 17 Members of the Council and 6 senior officers sit (either in a personal capacity or as representatives of the Council) on the governing bodies of 33 different organisations. The Council made a total of £5m in payments to twenty-seven of these organisations, primarily in the form of grants, works or services. All payments are made with proper consideration of declaration of interest. The relevant members did not take part in any discussion or decision relating to the payments. In addition, a total of £2.4m was received from Eighteen of the organisations, primarily relating to services provided by the Council and interest on an outstanding loan balance.

A senior officer from the Council sat on the board of directors at Leicestershire County Cricket Club, where the balance of the £2m outstanding loan the Council made, was repaid in 2025/26. The senior officer has since stepped down from the board.

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 PFI/PPP contracts), together with the resources that have been used to finance it.

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

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

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

| | 2024/25 | 2025/26 |
|---|-----------------|------------------|
| | £000 | £000 |
| Opening Capital Financing Requirement | 594,562 | 662,096 |
| Capital Investment | | |
| Property, Plant and Equipment | 137,007 | 131,040 |
| Intangible Assets | 790 | 914 |
| Heritage Assets | - | - |
| Revenue Expenditure Funded from Capital Under Statute | 20,892 | 15,677 |
| Capital Loans Expenditure | 848 | 820 |
| Property Unit Trusts | (4,548) | - |
| De Minimis Capital Spend | - | - |
| Sub-total | 154,989 | 148,451 |
| Sources of Finance | | |
| Capital Receipts | (14,415) | (52,542) |
| Government Grants & Other Contributions | (45,838) | (49,510) |
| Sums set aside from revenue: | | |
| Direct Revenue Contributions | (9,695) | (31,477) |
| MRP | (17,507) | (19,773) |
| Sub-total | (87,455) | (153,302) |
| Closing Capital Financing Requirement | 662,096 | 657,245 |
| Increase/(Decrease) in underlying need to borrow | 67,534 | (4,851) |
| Increase/(Decrease) in Capital Financing Requirement | 67,534 | (4,851) |

Note 38 Leases (continued)

Council as Lessee

The authority's lease contracts comprise leases of operational land and buildings, plant and equipment and motor vehicles.

Right Of Use Assets

The table shows the change in the value of right-of-use assets held under leases by the authority:

| | Land and Buildings | Vehicles, Plant and Equipment | Total |
|-------------------------------------|-----------------------|-------------------------------------|--------------|
| | £000 | £000 | £000 |
| Balance at 1 April 2025 | 3,177 | 1,930 | 5,107 |
| Additions | 2,932 | (1,346) | 1,586 |
| Revaluations | 2,418 | - | 2,418 |
| Depreciation and Amortisation | 342 | 112 | 454 |
| Disposals | - | - | - |
| Balance at 31 March 2026 | 8,185 | 472 | 8,657 |

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands:

| | 31st March 2025 | 31st March 2026 |
|---|--------------------|--------------------|
| | £000 | £000 |
| Less than one year | 880 | 1,358 |
| One to five years | 3,024 | 3,640 |
| More than five years | 17,654 | 13,690 |
| Total undiscounted liabilities | 21,558 | 18,688 |

Note 38 Leases

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 | 31st March |
|--------------------------------------|--------------|--------------|
| | 2025 | 2026 |
| | £000 | £000 |
| Current | 28 | 29 |
| Non-current | 601 | 573 |
| Unearned finance income | 424 | 404 |
| Gross Investment in the lease | 1,053 | 1,006 |

| Minimum Lease Payments | 31st March | 31st March |
|------------------------|--------------|--------------|
| | 2025 | 2026 |
| | £000 | £000 |
| Within one year | 48 | 48 |
| Within 2 to 5 years | 193 | 193 |
| Later than 5 years | 813 | 764 |
| Total | 1,054 | 1,005 |

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.

| | Restated 31st March 2025 | 31st March 2026 |
|--|--------------------------------|--------------------|
| | £000 | £000 |
| Not later than one year | 5,715 | 6,817 |
| Later than one year and not later than 5 years | 15,058 | 17,388 |
| Later than 5 years | 69,359 | 70,985 |
| Total | 90,132 | 95,190 |

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 2025 | 7,562 | 1,623 | 9,185 |
| Additions | 971 | 204 | 1,175 |
| Depreciation | (471) | (541) | (1,012) |
| Revaluation | (478) | - | (478) |
| Balance at 31st March 2026 | 7,585 | 1,286 | 8,871 |

| | Other Land & Buildings | Vehicles, Plant & Equipment | Total |
|-----------------------------------|------------------------|-----------------------------|--------------|
| | £000 | £000 | £000 |
| Balance at 1st April 2024 | 7,951 | 2,715 | 10,666 |
| Additions | 13,672 | 139 | 13,811 |
| Depreciation | (1,285) | (1,231) | (2,516) |
| Revaluation | (12,776) | - | (12,776) |
| Balance at 31st March 2025 | 7,562 | 1,623 | 9,185 |

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 2026 (excluding inflation) are as follows:

| | Payment for Services | Reimbursement of Capital Expenditure | Interest | Total |
|---------------------|-------------------------|---|------------|---------------|
| | £000 | £000 | £000 | £000 |
| Within 1 year | 16,171 | 3,971 | 562 | 20,705 |
| Within 2 to 5 years | 17,696 | 3,809 | 291 | 21,796 |
| Total | 33,867 | 7,780 | 854 | 42,501 |

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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:

| | 2024/25 | 2025/26 |
|--|---------------|--------------|
| | £000 | £000 |
| Balance outstanding at 1st April | 385 | 10,586 |
| Payments during the year | (3,610) | (3,983) |
| Remeasurement of liability under IFRS 16 | 13,811 | 1,175 |
| Balance at 31st March | 10,586 | 7,779 |

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).

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 2026 (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 as follows:

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. Therefore, the assets are no longer contained on the council's balance sheet.

The rebuild for phase 1 was completed in 2009 and 2025/26 was therefore the seventeenth year of the operation of the contract costing £8.2m.

| | Payment for Services | Reimbursement of Capital Expenditure | Interest | Lifecycle Capital Replacement costs | Total |
|----------------------|-------------------------|---|---------------|--|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Within 1 year | 3,163 | 1,939 | 1,933 | 1,148 | 8,183 |
| Within 2 to 5 years | 12,711 | 7,403 | 6,113 | 6,503 | 32,730 |
| Within 6 to 10 years | 10,016 | 12,180 | 2,397 | 1,318 | 25,911 |
| Total | 25,890 | 21,522 | 10,443 | 8,969 | 66,824 |

| | 2024/25 | 2025/26 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance outstanding at 1st April | 22,698 | 23,314 |
| Payments during the year | (1,517) | (1,918) |
| Remeasurement of liability under IFRS 16 | 2,133 | 127 |
| Balance at 31st March | 23,314 | 21,523 |

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.

Property, Plant, and Equipment

The assets used to provide the service were recognised on the Council's Balance Sheet as Other Land and Buildings. The value of fixed assets is as shown:

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. 2025/26 was the thirteenth year of the operation of the contract costing £8.1m.

| | 2024/25 | 2025/26 |
|------------------------------|---------------|---------------|
| | £000 | £000 |
| Balance at 1st April | 47,628 | 49,190 |
| Additions | 183 | 6 |
| Disposals | - | - |
| Revaluations/(Impairment) | 2,570 | 3,302 |
| Depreciation | (1,191) | (1,144) |
| Balance at 31st March | 49,190 | 51,354 |

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 2026 are as follows:

| | Payment for Services | Reimbursement of Capital Expenditure | Interest | Lifecycle Capital Replacement Costs | Total |
|-----------------------|-------------------------|---|---------------|--|----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Within 1 year | 3,312 | 2,090 | 2,026 | 710 | 8,138 |
| Within 2 to 5 years | 13,247 | 7,460 | 6,855 | 4,990 | 32,552 |
| Within 6 to 10 years | 16,558 | 11,887 | 5,309 | 6,936 | 40,690 |
| Within 11 to 15 years | 8,558 | 8,069 | 968 | 3,435 | 21,030 |
| Total | 41,675 | 29,506 | 15,158 | 16,071 | 102,410 |

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

| | 2024/25 | 2025/26 |
|--|---------------|---------------|
| | £000 | £000 |
| Balance outstanding at 1st April | 31,303 | 30,084 |
| Payments during the year | (1,422) | (590) |
| Remeasurement of liability under IFRS 16 | 203 | 12 |
| Balance at 31st March | 30,084 | 29,506 |

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

District Energy Heating & Combined Heat Power Scheme

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

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

electricity networks are linked into the overall network scheme.

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

Property Plant and Equipment

The assets used to provide the service and directly attributable to the City Council are recognised as Vehicles, Plant & Equipment on the Council's Balance Sheet. The value of fixed assets attributable to the Council and operational as at 31st March 2026 are shown in the table:

| | 2024/25 | 2025/26 |
|-----------------------------------|--------------|--------------|
| | £000 | £000 |
| Balance at 1st April | 5,710 | 5,302 |
| Depreciation | (408) | (408) |
| Balance at 31st March 2026 | 5,302 | 4,894 |

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 2026 (excluding future inflation increases and the final phase which has yet to be completed) are as follows:

| | Payment for Services | Reimbursement of Capital | Interest | Lifecycle Capital Replacement | Total |
|-----------------------|----------------------|--------------------------|--------------|-------------------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| Within 1 year | 2,855 | 573 | 1,104 | 343 | 4,875 |
| Within 2 to 5 years | 11,420 | 2,696 | 4,009 | 1,370 | 19,495 |
| Within 6 to 10 years | 14,275 | 5,344 | 3,037 | 1,713 | 24,369 |
| Within 11 to 15 years | 5,718 | 2,227 | 349 | 514 | 8,808 |
| Within 16 to 20 years | 1,327 | 31 | 5 | - | 1,363 |
| Total | 35,595 | 10,871 | 8,504 | 3,940 | 58,910 |

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 2026 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.

| | 2024/25 | 2025/26 |
|---|--------------|---------------|
| | £000 | £000 |
| Balance at 1st April | - | 6,582 |
| Liability for capital expenditure incurred for operational phases | 6,909 | 4,256 |
| Payments during the year | (327) | (517) |
| Balance at 31st March | 6,582 | 10,321 |

Note 40 Termination Benefits

The Council terminated the contracts of a number of employees in 2025/26 incurring liabilities of £0.4m (£1.0m in 2024/25). Of this £0.2m (£0.6m in 2024/25) was for redundancy and other departure costs, and £0.2m (£0.4m in 2024/25) 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 2025/26 the Council approved 10 compulsory redundancies (24 in 2024/25).

| Band | 2024/25 | | 2025/26 | |
|------------------|--|-------------------------------|--|---------------------------------------|
| | Total number of exit packages by cost band | Total Cost of Exit packages - | Total number of exit packages by cost band | Total Cost of Exit packages continued |
| £ | | £ | | £ |
| 0 - 20,000 | 41 | 288,681 | 19 | 186,175 |
| 20,001 - 40,000 | 4 | 122,176 | 2 | 50,653 |
| 40,001 - 60,000 | 1 | 41,115 | - | - |
| 60,001 - 80,000 | 2 | 154,261 | - | - |
| 80,001 - 100,000 | - | - | 2 | 168,929 |
| 120,001-140,000 | 2 | 248,737 | - | - |
| 140,001-160,000 | 1 | 168,252 | - | - |
| Total | 51 | 1,023,222 | 23 | 405,757 |

*16 of the 23 exit packages for 2025/26 relates to schools.

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 2025/26, the Council paid £21.0m to Teachers' Pensions in respect of teachers' retirement benefits, representing 28.68% of pensionable pay. The figures for

2024/25 were £21.4m and 28.68%.

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 2025/26, 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 29th May 2026.

Note 42 Defined Benefit Pension Schemes

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.

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| | 2024/25 | 2025/26 |
|--|-----------------|-----------------|
| | £000 | £000 |
| Comprehensive Income and Expenditure Statement | | |
| <u>Cost of Services</u> | | |
| Current service cost | 40,606 | 30,589 |
| Past service cost | 427 | 169 |
| Settlements and curtailments | (1,436) | (1,381) |
| Total Service Cost | 39,597 | 29,377 |
| Financing and Investment Income and Expenditure | | |
| Expected return on scheme assets | (91,253) | (116,755) |
| Interest cost | 80,925 | 84,452 |
| Effect of Asset Ceiling Adjustment | 11,429 | 32,988 |
| Net Interest Cost | 1,101 | 685 |
| Total Post-employment Benefit charged to the (Surplus) or Deficit on the Provision of Services | 40,698 | 30,062 |
| Other post-employment benefit charged to the Comprehensive Income and Expenditure Statement | | |
| Return on plan assets excluding amounts included in net interest | (22,306) | (85,626) |
| Actuarial (gains)/losses arising from changes in demographic assumptions | (2,939) | (29,250) |
| Actuarial (gains)/losses arising from changes in financial assumptions | (261,215) | (35,471) |
| Other Experience adjustments | (16,165) | 197,581 |
| Effect of Asset Ceiling Adjustment | 321,908 | (14,643) |
| Total remeasurements recognised in the Comprehensive Income and Expenditure Statement | 19,283 | 32,591 |
| Total post-employment Benefit charged to the Comprehensive Income and Expenditure statement | 59,981 | 62,653 |
| Movement in Reserves Statement | | |
| Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits | 40,698 | 30,062 |
| Actual amount charged against the General Fund Balance for pensions in the year (Employers contributions paid to the scheme) | (64,151) | (64,880) |
| Total Movement in Reserves | (23,453) | (34,818) |

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):

| | 2024/25 | 2025/26 |
|--|------------------|------------------|
| | £000 | £000 |
| Balance at 1st April | 1,680,800 | 1,470,687 |
| Current service cost | 40,606 | 30,589 |
| Past service costs (including curtailments) | 427 | 169 |
| Effect of settlements | (4,542) | (7,160) |
| Interest cost | 80,925 | 84,452 |
| Contributions by scheme participants | 13,568 | 14,035 |
| Benefits paid | (60,778) | (62,958) |
| Effect of business combinations and disposals | - | - |
| Remeasurements arising from changes in financial assumptions | (261,215) | (35,471) |
| Remeasurements arising from changes in other assumptions | (16,165) | 101,915 |
| Remeasurements arising from changes in demographic assumptions | (2,939) | (29,250) |
| Balance at 31st March | 1,470,687 | 1,567,008 |

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

| | 2024/25 | 2025/26 |
|--|------------------|------------------|
| | £000 | £000 |
| Balance at 1st April | 1,882,270 | 2,009,664 |
| Interest income | 91,253 | 116,755 |
| Effect of settlements | (3,106) | (5,779) |
| Contributions by scheme participants | 13,568 | 14,035 |
| Employer contributions | 64,151 | 64,880 |
| Effect of business combinations and disposals | - | - |
| Benefits paid | (60,778) | (62,958) |
| Other Experience | - | (95,666) |
| Return on plan assets excluding amounts included in net interest | 22,306 | 85,626 |
| Balance at 31st March | 2,009,664 | 2,126,557 |

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

| | 2021/22 | 2022/23 | 2023/24 | 2024/25 | 2025/26 |
|--|------------------|-----------------|-----------------|-----------------|-----------------|
| | £000 | £000 | £000 | £000 | £000 |
| Present value of funded obligations | (2,306,075) | (1,631,155) | (1,646,445) | (1,440,502) | (1,539,050) |
| Present value of unfunded obligations | (43,825) | (36,012) | (34,355) | (30,185) | (27,958) |
| Fair value of assets in the scheme | 1,760,111 | 1,705,084 | 1,882,270 | 2,009,664 | 2,126,557 |
| Asset Ceiling Adjustment | - | (73,929) | (235,825) | (569,162) | (587,507) |
| Surplus/(deficit) in the scheme | (589,789) | (36,012) | (34,355) | (30,185) | (27,958) |

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 £28m 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 £61.6m. The maturity profile is as follows:

Liability Split

| | |
|-------------------|---------------|
| Active members | 36.0% |
| Deferred members | 16.4% |
| Pensioner members | 47.5% |
| Total | 100.0% |

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

Note 42 Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent on assumptions about mortality rates, salary levels, etc. The fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, based on the latest full valuation of the scheme as at 31st March 2026.

The main assumptions used by the actuary have been:

| Local Government Pension Scheme | 2024/25 | 2025/26 |
|--|---------|---------|
| Mortality assumptions: | | |
| Longevity at 65 for current pensioners (years): | | |
| Men | 20.6 | 21.3 |
| Women | 23.6 | 24.3 |
| Longevity at 65 for future pensioners (years): | | |
| Men | 21.4 | 22.2 |
| Women | 25.1 | 25.5 |
| Benefit entitlement assumptions | | |
| Rate of increase in salaries | 3.25% | 3.50% |
| Rate of increase in pensions | 2.75% | 3.00% |
| Rate for discounting scheme liabilities | 5.80% | 6.20% |
| Take-up of option to convert annual pension into retirement lump-sum – relating to service pre April 2008 | 55.0% | 70.0% |
| Take-up of option to convert annual pension into retirement lump-sum – relating to service post April 2008 | 55.0% | 70.0% |

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:

| | 2024/25 | | | | 2025/26 | | | |
|--|---------------------------------------|---|------------------|---------------------------|---------------------------------------|---|------------------|---------------------------|
| | 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 | 1,858 | - | 1,858 | 0% | 1,882 | - | 1,882 | 0% |
| Manufacturing | 1,752 | - | 1,752 | 0% | 2,829 | - | 2,829 | 0% |
| Energy and Utilities | 1,783 | 13 | 1,796 | 0% | 2,604 | - | 2,604 | 0% |
| Financial Institutions | 2,105 | - | 2,105 | 0% | 2,069 | - | 2,069 | 0% |
| Health and Care | 2,639 | - | 2,639 | 0% | 1,309 | - | 1,309 | 0% |
| Information Technology | 47 | - | 47 | 0% | 134 | - | 134 | 0% |
| Other | 2,852 | - | 2,852 | 0% | 4,986 | - | 4,986 | 0% |
| Debt Securities | | | | | | | | |
| UK Government | 73,328 | 205 | 73,533 | 4% | 77,254 | 197 | 77,451 | 4% |
| Other | 10,304 | - | 10,304 | 1% | 21,994 | - | 21,994 | 1% |
| Private Equity | | | | | | | | |
| All | - | 116,268 | 116,268 | 6% | - | 112,042 | 112,042 | 5% |
| Real Estate | | | | | | | | |
| UK Property | - | 137,166 | 137,166 | 7% | - | 126,573 | 126,573 | 6% |
| Investment Fund and Unit Trusts | | | | | | | | |
| Equities | 848,979 | 3,595 | 852,574 | 42% | 935,011 | - | 935,011 | 44% |
| Bonds | - | - | - | 0% | - | - | - | 0% |
| Hedge Funds | 7 | - | 7 | 0% | - | - | - | 0% |
| Commodities | - | 40,320 | 40,320 | 2% | 3,722 | 40,711 | 44,433 | 2% |
| Infrastructure | - | 184,890 | 184,890 | 9% | - | 193,272 | 193,272 | 9% |
| Other | 248,367 | 140,999 | 389,366 | 19% | 302,036 | 124,239 | 426,275 | 20% |
| Derivatives | | | | | | | | |
| Foreign Exchange | (10,004) | - | (10,004) | 0% | 1,094 | - | 1,094 | 0% |
| Cash and Cash Equivalents | | | | | | | | |
| All | 202,193 | - | 202,193 | 10% | 172,600 | - | 172,600 | 8% |
| Total | 1,386,209 | 623,455 | 2,009,663 | 100% | 1,529,524 | 597,033 | 2,126,557 | 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 2026 | Approximate % increase to Defined Benefit Obligation | Approximate monetary amount (£000) |
|--|--|------------------------------------|
| 0.1% decrease in Real Discount Rate | 2% | 23,737 |
| 0.1% increase in the Salary Increase Rate | 0% | 1,143 |
| 1 Year Increase in Life Expectancy | 4% | 62,680 |
| 0.1% increase in the Pension Increase Rate | 2% | 22,575 |

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 2025/26 accounts.

Note 44 Contingent Assets

The council has no contingent assets to disclose in the 2025/26 accounts.

Note 45 Prior Period Adjustments

There are no prior period adjustments.

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.

| 2024/25 | | 2025/26 |
|-----------------|--|---------------------|
| £000 | | Note £000 |
| | Income | |
| (88,512) | Dwelling Rents | 5 (91,576) |
| (350) | Non-dwelling Rents | 6 (365) |
| (8,239) | Service Charges | 6 (8,363) |
| (1,324) | Contributions & Miscellaneous income | (1,923) |
| (98,425) | Total Income | (102,227) |
| | Expenditure | |
| 14,458 | General Management | 15,137 |
| 16,049 | Special Management | 3 13,789 |
| 36,268 | Repairs & Maintenance | 43,680 |
| 2,225 | Rent, Rates, Taxes & Other Charges | 2,385 |
| 419 | Increase/ (Decrease) in Bad Debt Provision | 4 (16) |
| 14,192 | Depreciation & Impairment of Fixed Assets | 12 35,674 |
| 60 | Debt Management Expenses | 60 |
| 88 | Other Expenditure | - |
| 83,759 | Total Expenditure | 110,709 |
| 710 | HRA share of Corporate & Democratic Core | 710 |
| (13,956) | "HRA Comprehensive Income and Expenditure Line" | 9,192 |
| (13,956) | Net Cost of HRA Services | 9,192 |
| 190 | (Gain) or Loss on Sale of HRA Assets | (1,701) |
| 12,440 | Loan Charges - Interest | 13,392 |
| (2,245) | Investment Interest | (2,115) |
| 10,222 | Pensions - Interest on Liabilities | 14 13,419 |
| (10,100) | Pensions - Expected Return on Assets | 14 (13,340) |
| (3,449) | (Surplus) / Deficit for the Year | 18,847 |

Housing Revenue Account (HRA) Statements – Movement in Reserves

| 2024/25 | | | 2025/26 |
|---|---|------|-----------------|
| £000 | | Note | £000 |
| (3,449) | (Surplus) / Deficit for the Year (from above) | | 18,848 |
| <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 |
| 2,077 | HRA share of contributions to/(from) the Pension Reserve | 14 | 3,531 |
| (190) | Gain or (Loss) on Sale of HRA Fixed Assets | | 1,701 |
| (14,192) | Depreciation and capital expenditure not adding value for Fixed Assets | 12 | (35,674) |
| 24 | Capital Expenditure Financed from Revenue Account | 10 | 24 |
| 1,633 | HRA Set-Aside (MRP) | | 2,130 |
| 13,965 | Transfers to/(from) the Major Repairs Reserve | 13 | 14,590 |
| (42) | Transfers to/(from) the Employee Benefits Reserve | | 2 |
| (88) | Other Adjustments | | - |
| 3,570 | Total value of items reversed as part of determining the statutory movement on the Housing Revenue Account Balance | | (13,313) |
| 121 | Net (Surplus)/Deficit on the Housing Revenue Account in the year | | 5,535 |
| (22,716) | Balance Brought Forward 1st April 2025 | | (22,593) |
| (22,595) | Balance Carried Forward 31st March 2026 - (Surplus)/Deficit | | (17,058) |

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.

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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.

| | 2024/25 | 2025/26 |
|----------------------------------|----------------|----------------|
| | £000 | £000 |
| Total Rent income from Dwellings | 88,512 | 91,576 |
| Less Housing Benefit | (24,446) | (17,548) |
| Total | 64,065 | 74,028 |

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 2026 was £1.6m (£1.5m at 31st March 2025). This is calculated on a rent and service charge arrears balance of £4.2m (£3.9m in 2024/25).

Housing Revenue Account (HRA) Explanatory Notes (continued)

7. Housing Stock

Changes to Housing Stock:

| | 2024/25 | 2025/26 |
|--|---------------|---------------|
| Number of Dwellings at 1st April | 19,370 | 19,337 |
| Construction of new dwellings | - | 35 |
| Acquisitions | 111 | 25 |
| Right to Buy sales | (146) | (306) |
| Other Disposals | 2 | (33) |
| Number of Dwellings at 31st March | 19,337 | 19,058 |

8. Value of HRA Assets

| | 31st March 2025 | 31st March 2026 |
|--|------------------|------------------|
| | £000 | £000 |
| Dwellings | 1,246,311 | 1,266,349 |
| Other Land and Buildings | 24,827 | 28,130 |
| Assets Under Construction | - | 9,062 |
| Vehicles, Plant, Furniture & Equipment | - | - |
| Surplus Assets | 1,046 | 985 |
| Assets Held for Sale | 2,727 | - |
| Intangible Assets | - | - |
| Total | 1,274,911 | 1,304,526 |

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Housing Revenue Account (HRA) Explanatory Notes (continued)

9. Vacant Possession Value of Council Dwellings

The vacant possession value of council dwellings at 31st March 2026 was £3.0bn. At the same date the balance sheet value of council dwellings was £1.3bn. 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 2025 | 31st March 2026 |
|--------------------------|-----------------|-----------------|
| | £000 | £000 |
| Vacant possession values | 2,967,152 | 3,004,564 |

10. Capital Expenditure

HRA capital expenditure on land, houses and other property in 2025/26 totalled £40m, financed as follows:

| | 2024/25 | 2025/26 |
|--------------------------------|---------------|---------------|
| | £000 | £000 |
| Major Repairs Reserve | 13,073 | 11,875 |
| Use of borrowing | 16,483 | 12,360 |
| Other grants and contributions | 4,597 | 2,672 |
| Usable capital receipts | 9,038 | 13,381 |
| Financing from revenue account | 24 | 24 |
| Total | 43,215 | 40,312 |

11. Capital Disposals

HRA capital disposals in 2025/26 were as follows:

| | 2024/25 | | 2025/26 | |
|--------------------------|------------------|---------------------|----------------------|------------------|
| | Total Receipt | Usable/ Retained | Pooled/ Set aside | Total Receipt |
| | £000 | £000 | £000 | £000 |
| Right to Buy (RTB) sales | (11,895) | (18,035) | (6,893) | (24,928) |
| Total | (11,895) | (18,035) | (6,893) | (24,928) |

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:

| | 2024/25 | | | | 2025/26 | | | |
|--|---------------|--------------------------------------|-------------------|---------------|---------------|--------------------------------------|-------------------|---------------|
| | Depreciation | Capital expenditure not adding value | Other Impairments | Total | Depreciation | Capital expenditure not adding value | Other Impairments | Total |
| | 2024/25 | 2024/25 | 2024/25 | 2024/25 | 2025/26 | 2025/26 | 2025/26 | 2025/26 |
| | £000 | £000 | | £000 | £000 | £000 | £000 | £000 |
| Dwellings | 13,040 | - | - | 13,040 | 13,622 | 20,751 | - | 34,373 |
| Other Land and Buildings | 557 | 215 | - | 772 | 604 | 301 | - | 905 |
| Vehicles, Plant, Furniture & Equipment | 364 | - | - | 364 | 360 | - | - | 360 |
| Assets Under Construction | - | - | - | - | - | - | - | - |
| Surplus Assets | 4 | 11 | - | 15 | 4 | 32 | - | 36 |
| Intangible Assets | - | - | - | - | - | - | - | - |
| Total | 13,965 | 226 | - | 14,191 | 14,590 | 21,084 | - | 35,674 |

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

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

| | 2024/25 | 2025/26 |
|--|--------------|----------------|
| | £000 | £000 |
| Balance at 1st April | - | (892) |
| Depreciation credited | (13,965) | (14,590) |
| Capital expenditure on land, houses and other property | 13,073 | 11,875 |
| Balance at 31st March | (892) | (3,607) |

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.

| | 2024/25 | 2025/26 |
|--|--------------|--------------|
| | £000 | £000 |
| Pension costs incurred in Net Cost of Services: | | |
| Current service cost | 2,201 | 3,610 |
| | 2,201 | 3,610 |
| Pension interest cost and expected return on assets: | | |
| Interest on liabilities | (10,236) | (13,419) |
| Expected return on assets | 10,112 | 13,340 |
| | (124) | (79) |
| Total Transfer to Pension Reserve | 2,077 | 3,531 |

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 and Crime Commissioner for Leicester, Leicestershire and Rutland as well as to the Council's own General Fund.

| 2024/25 | | | 2025/26 | | | |
|----------------------------------|----------------|--------------|----------|--------------|----------------|------------------|
| Council Tax | Business Rates | Total | | Council Tax | Business Rates | Total |
| £000 | £000 | £000 | Note | £000 | £000 | £000 |
| Income | | | | | | |
| (184,457) | - | (184,457) | 2 | (202,732) | - | (202,732) |
| - | (101,540) | (101,540) | | - | (114,690) | (114,690) |
| - | (1,095) | (1,095) | | - | (204) | (204) |
| (287,092) Total Income | | | | | | (317,626) |
| Expenditure | | | | | | |
| Precepts and Demands: | | | | | | |
| 3 | | | | | | |
| 153,587 | - | 153,587 | | 166,976 | - | 166,976 |
| 22,842 | - | 22,842 | | 24,807 | - | 24,807 |
| 6,516 | - | 6,516 | | 7,160 | - | 7,160 |
| 182,945 | | | | | | 198,943 |
| Business Rates: | | | | | | |
| 4 | | | | | | |
| - | 52,429 | 52,429 | | - | 56,067 | 56,067 |
| - | 1,049 | 1,049 | | - | 1,121 | 1,121 |
| - | 51,380 | 51,380 | | - | 54,946 | 54,946 |
| - | 473 | 473 | | - | 474 | 474 |
| 105,331 | | | | | | 112,608 |
| (1,171) | 4,058 | 2,887 | 6 | (1,839) | (299) | (2,138) |
| Bad and Doubtful Debts: | | | | | | |
| 7 | | | | | | |
| 2,973 | 2,119 | 5,092 | | 2,275 | 3,137 | 5,412 |
| (1,736) | 1,227 | (509) | | 5,035 | (708) | 4,327 |
| - | (3,281) | (3,281) | | - | 4,356 | 4,356 |
| - | - | - | | - | 42 | 42 |
| 292,464 Total Expenditure | | | | | | 323,549 |
| (1,447) | 6,819 | 5,372 | | 1,682 | 4,242 | 5,924 |
| 1,366 | (3,259) | (1,893) | 5 | (81) | 3,560 | 3,479 |
| (81) | 3,560 | 3,479 | 1 | 1,601 | 7,802 | 9,403 |

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:

| | 2024/25 | | | 2025/26 | | |
|---|-------------|----------------|--------------|--------------|----------------|--------------|
| | Council Tax | Business Rates | Total | Council Tax | Business Rates | Total |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Leicester City Council | (67) | 1,745 | 1,677 | 1,342 | 3,823 | 5,165 |
| Central Government | - | 1,780 | 1,780 | - | 3,901 | 3,901 |
| Leicestershire & Rutland Combined Fire Authority | (4) | 36 | 32 | 59 | 78 | 137 |
| Police & Crime Commissioner for Leicester, Leicestershire & Rutland | (10) | - | (10) | 200 | - | 200 |
| Fund Balance Allocations as at 31st March | (81) | 3,560 | 3,479 | 1,601 | 7,802 | 9,403 |

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 2025/26 was £203m including arrears from prior years.

The collectable Council Tax specifically for 2025/26 was £225.5m (including sums paid under the Local Council Tax Reduction Scheme). After taking into account the total amount of this reduction (£22.9m), the average number of Band D dwellings equates to 84,146. This is a slight increase from the 82,627 dwellings existing when the 2025/26 budget was prepared.

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| 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- | 361 | 5/9 | 201 | 48 | 152 |
| A | 72,661 | 6/9 | 48,441 | 8,015 | 40,426 |
| B | 25,255 | 7/9 | 19,642 | 1,846 | 17,796 |
| C | 14,809 | 8/9 | 13,164 | 417 | 12,747 |
| D | 6,345 | 9/9 | 6,345 | 112 | 6,232 |
| E | 3,300 | 11/9 | 4,033 | 64 | 3,969 |
| F | 1,494 | 13/9 | 2,158 | 25 | 2,133 |
| G | 604 | 15/9 | 1,007 | 4 | 1,003 |
| H | 35 | 18/9 | 70 | - | 70 |
| | 124,864 | | 95,060 | 10,532 | 84,529 |
| Less adjustments for collection rates and other adjustments. | | | | | (1,902) |
| Council Tax Base | | | | | 82,627 |

Collection Fund Explanatory Notes (continued)

3. Precepts and Demands

The following sums were paid from the collection fund.

| | 2024/25 £000 | 2025/26 £000 |
|--|-----------------|-----------------|
| Leicester City Council | 153,587 | 166,976 |
| Police & Crime Commissioner for Leicestershire | 22,842 | 24,807 |
| Leicestershire & Rutland Combined Fire Authority | 6,516 | 7,160 |
| Total | 182,945 | 198,943 |

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4. Income from Business Rates

Under the arrangements for business rates, the Council collects rates payable in the City, which are based on the rateable values multiplied by a uniform rate.

| | 31st March 2025 £ | 31st March 2026 £ |
|------------------------------------|-------------------------|-------------------------|
| Non Domestic Rateable Value | 310,694,113 | 310,937,591 |

| | 2024/25 | 2025/26 |
|--|---------|---------|
| Non Domestic Rating Multiplier | 54.6p | 55.5p |
| 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 £9.4m at 31st March 2026 (£3.5m deficit at 31st March 2025) for Council Tax and Business Rates.

The deficit arising from business rates is £7.8m (£3.6m deficit at 31st March 2025). The reported deficit is affected by changes in the forecast for loss of revenue due to appeals against rateable values and by timing differences around rates reliefs funded by grant paid directly into the General Fund.

The deficit arising on Council Tax is £1.6m (£0.1m surplus 31st March 2025). The deficit that has arisen on Council Tax will be distributed between Leicester City Council, the Police & Crime Commissioner for Leicestershire and the Leicester, Leicestershire & Rutland Combined Fire Authority in proportion to the respective precepts and demands.

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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.

| 202 | City | Police | Fire | Total |
|-------------------------------------|--------------|---------------|-------------|--------------|
| | £000 | £000 | £000 | £000 |
| Estimated Deficit - Jan 2025 | 1,544 | 230 | 65 | 1,839 |

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 2025 | 147 | 150 | 3 | 299 |

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 1st April 2025 | Bad Debt Write- offs In year | Increase/ (Decrease) to Provision | Balance at 31st March 2026 |
| | £000 | £000 | £000 | £000 |
| Council Tax | 15,128 | (2,275) | 7,310 | 20,163 |
| NNDR | 7,150 | (3,138) | 2,429 | 6,441 |
| Total | 22,278 | (5,412) | 9,739 | 26,605 |

Annual Governance Statement

Leicester City Council Annual Governance Statement 2025-26

1. Scope of responsibility

The Council is committed to good corporate governance and complies with the CIPFA/ SOLACE “Delivering Good Governance Framework” (2016) and the addendum issued in May 2025. 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.

2. Executive Summary

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

Overall, based on the review undertaken this year, the Council has concluded that its governance arrangements and system of internal control are operating effectively and are fit for purpose. The Council has identified areas for improvement and has set out actions to further strengthen its governance arrangements.

3. The Arrangements

The Council has an approved Local Code of Corporate Governance which is based on seven core principles taken from the International Framework: Good Governance in the Public Sector (CIPFA/IFAC, 2014) (the ‘International Framework’). A diagram showing the seven core principles is included in Appendix 1.

Appendix 2 is then a summary of the governance arrangements that the Council works within; and Appendix 3 shows how the Council assesses its governance arrangements to inform the Annual Governance Statement.

The remainder of this section outlines 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
- Information Governance & Risk Policy
- Anti-Money Laundering Policy
- Contract Procedure Rules
- Generative Artificial Intelligence (GenAI) policy
- Our established set of values - Accountability, Clarity, Confidence, Fairness and Respect

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 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

C) The Council defines outcomes in terms of sustainable economic, social and environmental benefits through the City Mayor’s strategic vision which contain a number of key pledges and which have been regularly scrutinised:

- 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

These priorities are translated into service plans and more detailed objectives. The Council’s Local Code of Corporate Governance supports the delivery of these outcomes and ensures that performance and risks are regularly monitored and reported.

3. The Arrangements (continued)

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) and regular monitoring of capital and revenue spending during the year
- Leicester’s homelessness strategy 2023-2028
- Equality and diversity strategy 2024-28
- Anti-poverty strategy
- Leicester’s Health, Care and Wellbeing Strategy 2022-2027
- Get Leicester, Leicestershire and Rutland Working Plan 2025-2035
- Street Design Guide
- Heart of Leicester – A ten year plan
- Creative and Cultural Industry Strategy
- Local Plan 2024-2036
- Active Leicester 2023-2028 Strategy
- Bus Service Improvement Plan 2024 – 10 year plan
- Voluntary, Community and Social Enterprise Engagement Strategy 2023-2027
- Climate Ready Leicester Plan

The Council’s activities are overseen through the Council’s governance framework, including the Executive, scrutiny commissions and relevant boards, which receive regular performance and risk information and ensure that corrective action is taken where necessary.

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:

- The Golden Triangle of Statutory Officers (Head of Paid Service, Chief Finance Officer, and Monitoring Officer) play an important role in key decisions, policy making and ensuring good governance
- Governance Services including Member and Civic Support Services, who also support member development
- An Organisational Development Team, who ensure 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
- Governance and Audit 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
- Compliance with CIPFA codes of practice (including the Financial Management Code)
- Scrutiny and regulatory Committees
- External inspections and reviews of services

Additional information on many of these areas detailed can be found on the Council’s website;

www.leicester.gov.uk

4. Review of Effectiveness

The Governance & Audit 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 seven times during the year, and issues considered included:

- Annual review of local code of corporate governance
- Progress against internal audit plans
- Approved an updated internal audit charter to ensure compliance with the new Code of Practice for the Governance of Internal Audit in UK Local Government
- Regular progress updates on the external audit of the statement of accounts
- Counter fraud reports (including approving the Council’s updated Anti-Fraud, Bribery and Corruption Policy, and Anti-Money Laundering Policy)
- Strategic & operational risk registers
- Business continuity strategies and policies
- Procurement updates (including providing feedback on the revised contract procedure rules for changes introduced by the Procurement Act 2024)
- Performance of the Council in authorising regulatory investigation powers
- Ombudsman complaints report
- Health & Safety annual report
- Insurance annual report

The Council’s financial management arrangements are consistent with, and demonstrably deliver against the CIPFA Financial Management Code (Appendix 4) and the principles set out in the CIPFA ‘Statement on the Role of the Chief Financial Officer in Local Government’ which are as follows:

- The CFO is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the organisation’s strategic objectives sustainably and in the public interest
- The CFO is actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered, and alignment with the organisation’s financial strategy
- The CFO leads the promotion and delivery by the whole organisation of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently and effectively.
- The CFO leads and directs a finance function that is resourced to be fit for purpose
- The CFO is professionally qualified and suitably experienced.

This position is further supported by the internal audit opinion, which concluded that:

“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.

Overall, the Council’s governance arrangements are operating effectively, and support the achievement of the Council’s outcomes.

Leicester City Council Annual Governance Statement 2025-26 (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 2024/25

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 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. However, we need to plan to become financially sustainable on a recurrent basis.</p> | <p>The budget position has improved since the medium-term strategy was established last year, following significant progress on controlling costs, achieving efficiency savings, and a government settlement that recognises the historic under-funding of more deprived areas of the country. Projections now show an improved budget position for the next three years, but this still shows continued growing pressures. Therefore, we need to continue to deliver our savings as planned and continue with the strong work commenced on cost reductions.</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>An Assistant Director of Finance has been appointed to support the Director of Finance and strengthen leadership capacity within the service. Recruitment has been undertaken to address key vacancies and training opportunities are being provided to existing staff. Work to further strengthen capacity within the finance function will continue during 2026/27.</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>Leicester City Council is proposing two unitary councils for LLR, including a sensible expansion of the city to include adjoining suburbs and room for growth. A second unitary council would cover the remaining rural areas of Leicestershire and Rutland.</p> <p>Following completion of its statutory consultation on 26 March 2026 the Government expects to make a decision on its preferred Local Government Reorganisation proposal by summer 2026.</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 and continue to be monitored.</p> <p>We continue to invest in cyber security and we have implemented a new digital operating model that adopts the NCSC “10 Steps to Cyber Security” framework. We have also moved to a zero trust model. We have agreed with our internal auditors to take account of this structure during internal audits, which are now nearing completion.</p> <p>Cyber security awareness training has been rolled out to staff and relevant third parties to strengthen organisational resilience.</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> |

Issues Identified in 2025/26

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

| Issue identified | Action planned: |
|---|---|
| <p>Financial Sustainability – The projections now show an improved budget position for the next three years. However, this requires achieving ongoing savings by 2027/28 and the use of one-off resources. We still need to plan to become financially sustainable on a longer-term basis.</p> | <p>The Council will continue to deliver on its multi-strand budget strategy aimed at balancing the budget for a minimum three years.</p> <p>There will be further work to strengthen the Council’s longer-term financial sustainability, including development of plans to address the structural budget gap beyond the current planning period.</p> <p>Continued monitoring of financial performance and emerging risks, with regular review of budgets and service expenditure to manage demand pressures and maintain financial stability.</p> <p>Ongoing engagement with government and sector bodies regarding the financial pressures facing local authorities and the need for sustainable funding arrangements for the sector.</p> |
| <p>Capacity in the Finance Function – As included in 2024/25 it was identified by the peer review report that we need to build capacity.</p> | <p>Work to further strengthen capacity within the finance function will continue during 2026/27 building on the good work in 2025/26. The finance team will continue to try to recruit to vacancies and provide further training and development opportunities to existing staff.</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>The Council has submitted its preferred proposal for Local Government Reorganisation and participated in the Government’s consultation process and is now awaiting a decision. In the meantime, the Council will ensure that robust governance arrangements remain in place. This will include maintaining effective business-as-usual service delivery, decision-making and internal control arrangements, while establishing appropriate programme governance to oversee any potential reorganisation activity. If part of reorganisation, the Council will also ensure that sufficient capacity and resources are in place to support transition planning, due diligence and implementation, working with partners where appropriate.</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, including those associated with state-linked actors.</p> | <p>The Council will continue to strengthen its cyber security arrangements through a programme of continuous improvement, informed by emerging threats and best practice. Governance oversight is provided through a dedicated Cyber Security Board, which meets regularly to specifically deal with cyber risk.</p> <p>The Council has increased specialist cyber security capacity and continues to use data and intelligence to target staff awareness and training. These actions are intended to enhance the Council’s resilience to cyber threats and ensure that risks are effectively managed.</p> |

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Issues Identified in 2025/26 continued

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

| Issue identified | Action planned: |
|---|--|
| <p>Demographic Pressures and rising cost of living - The risk relating to the growth in demand due to rising cost of living, population growth and greater complexity of need. This is related to both increasing demand and the complexity of need individuals are presenting with, both which result in substantial budget pressures across areas such as housing, children’s social care and special educational needs. An increasing population, increased frailty in the older population, combined with pressures on households from increased cost of living leads to greater need and demand for Council services too.</p> | <p>To manage the continuing demographic pressures and rising cost of living impacts, services will continue to closely monitor demand trends across housing, children’s social care, adult social care and SEND. Additional investment has been made to increase staffing capacity in key frontline and assessment teams in order to help manage the higher levels of demand and ensure statutory timelines continue to be met. Further work will include strengthening early intervention approaches, improving throughput and practice efficiency, and maintaining robust oversight of caseloads, performance and demand related budget pressures. Ongoing review of demand forecasts will support medium and long term service planning.</p> |
| <p>Impacts arising from numbers and complexity of needs of asylum seekers and refugees - The risk relating to the impacts arising from numbers and complexity of needs of asylum seekers and refugees. This relates specifically to the needs arising from increasing numbers of asylum seekers and refugees being placed in the city and the complexity arising from the range of national schemes and support arrangements for different groups including unaccompanied children, Ukrainian, Syrian and Afghan refugees.</p> | <p>To manage the pressures arising from the increasing numbers and complexity of needs of asylum seekers and refugees, services will continue to monitor demand closely across children’s social care, housing, education and wider support services. A significant contributing factor is the number of Unaccompanied Asylum-Seeking Children and care leavers placed in the city by other local authorities, which adds further pressure on local statutory services and accommodation. Work will continue to strengthen multi agency coordination, including improved information sharing with placing authorities, the Home Office and regional partners. Additional capacity is being prioritised in assessment, placement and support teams to help ensure statutory duties are met. The Council will also maintain oversight of emerging national schemes, undertake forecasting of projected demand, and escalate system pressures through regional and national forums where appropriate.</p> |
| <p>Social Housing - 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”.</p> | <p>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> |

Issues Identified in 2025/26 continued

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

| Issue identified | Action planned: |
|---|--|
| <p>Climate Change - The Council faces increasing challenges in responding to climate change, including managing the impact of extreme weather events and meeting national and local net zero targets. Delivery is further constrained by financial pressures and the availability of external funding, creating risks to the pace and scale of the Council's response.</p> | <p>The Council has established governance arrangements to coordinate its response, including the Climate Ready Leicester Programme Board, which oversees delivery across services. A dedicated Energy and Sustainability Service leads on the climate emergency and supports delivery of the Council's objectives in this area. Climate implications are considered as part of all key decision-making processes, ensuring that environmental impacts are integrated into Council activity.</p> <p>Progress is monitored through established performance and reporting arrangements, including annual reporting of emissions and actions through the Global Carbon Disclosure Project (CDP). We also have a Sustainable Schools team, working with local schools to help them become more sustainable in all that they do, and encourage them to follow the Eco-Schools Programme.</p> |
| <p>Middle East Conflict – The conflict during 2025/26 has created significant global economic uncertainty, primarily through:</p> <ul style="list-style-type: none"> • rising energy prices • inflationary pressures • disruption to global supply chains <p>Global institutions have warned that energy market disruption, particularly affecting oil and gas flows will increase inflation and impact economic growth across the UK and globally.</p> | <p>The Council will continue to monitor the evolving situation and take appropriate action to mitigate risks, ensuring that governance, financial management and service delivery remain effective in a period of heightened global uncertainty.</p> |

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5. 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

*Signatures will be included in our final accounts.

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 2025/26.

SUMMARY OF THE COUNCIL’S GOVERNANCE ARRANGEMENTS

Mayor, Executive and Council

- Provide leadership, develop and set policy
- Key risks are considered by the Executive three times per year.

Decision making

- Decisions are recorded on the Council’s website
- There is a period of grace in which decisions are open to review

Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by Corporate Management Team three times per year

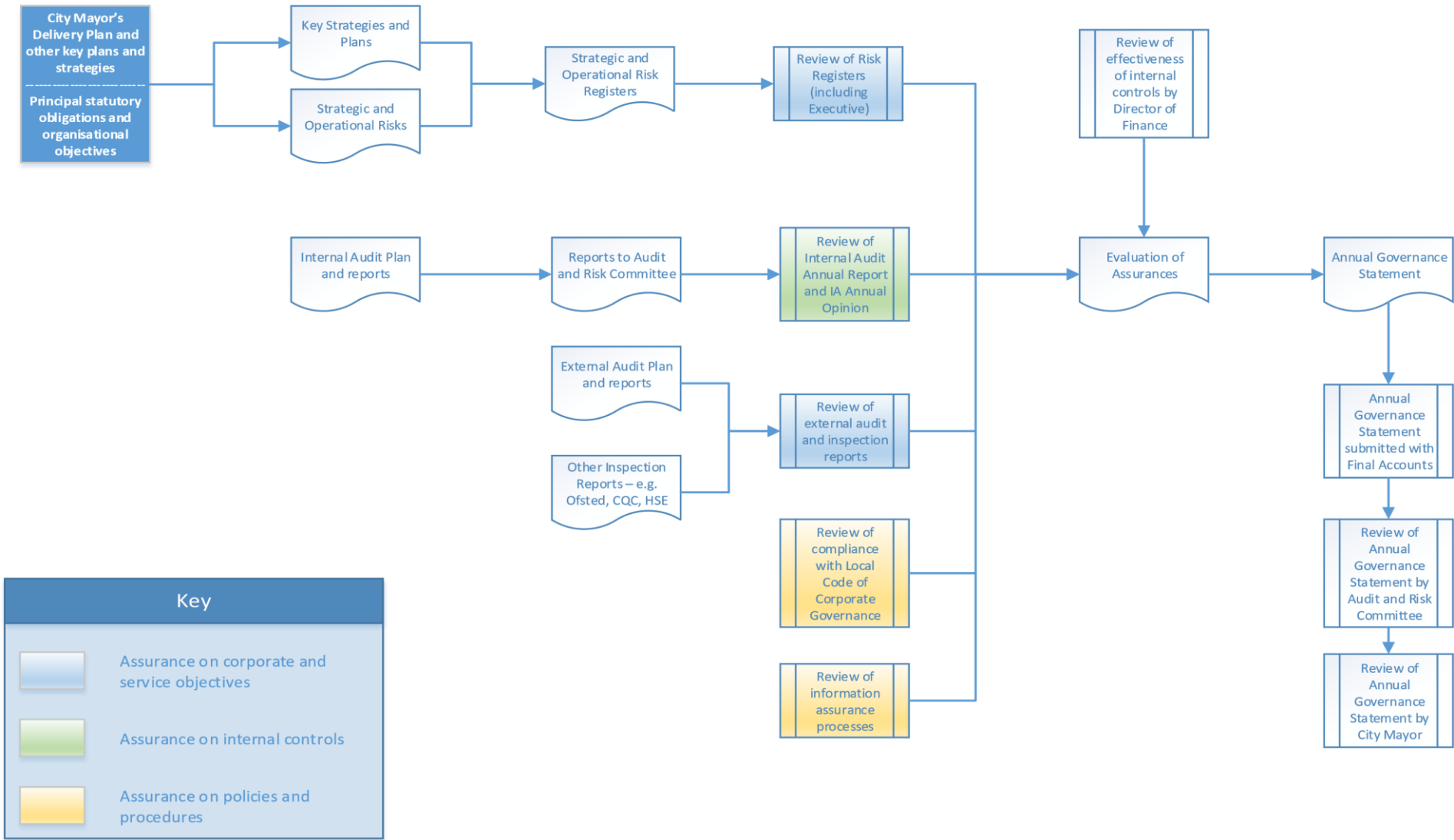
Scrutiny and review

- Scrutiny committees review Council policy and can challenge decisions
- Governance & Audit Committee (previously Audit and Risk Committee) approves the annual accounts and reviews policies & procedures that ensure good governance of the Council. It also approves the Internal Audit Annual Report and opinion

Corporate Management Team (CMT)

- Provides service level management and interface with the political leadership
- Head of Paid Service is the Chief Operating Officer, who is responsible for all Council staff and for leading an effective CMT
- The Director of Finance is the s.151 Officer and is responsible for safeguarding the Council’s financial position and ensuring value for money
- Monitoring Officer is the City Barrister & Head of Standards who is responsible for ensuring legality and promoting high standards of public conduct
- CMT includes all strategic and divisional directors

The following diagram, shows how the Council has assessed its governance arrangements to inform the Annual Governance Statement.



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| Key | |
|-----|---|
| | Assurance on corporate and service objectives |
| | Assurance on internal controls |
| | Assurance on policies and procedures |

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 |
|---|--|
| <p>The leadership team is able to demonstrate that the services provided by the authority provide value for money</p> | <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> |
| <p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.</p> <p>216</p> | <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> |
| <p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.</p> | <p>The Annual Governance Statement supports the leadership team meeting these requirements. The Statement includes:</p> |
| <p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).</p> | <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). |

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 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 longer term and has reported this clearly to members. | |
| The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans. | |
| The authority complies with its statutory obligations in respect of the budget setting process. | |
| The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves. | <p>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.</p> |
| The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities. | |
| 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. |

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 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. |

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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

These 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

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 & Crime Commissioner 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 Works Loan Board (PWLB)

A government agency providing long and short-term loans to local authorities. Interest rates are generally lower than the private sector, and slightly higher than the rates at which the Government may borrow.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the monetary value of any other benefits received other than in cash. Pension contributions payable by either employer or employee are excluded.

Revaluation Reserve

This reserve contains revaluation gains on assets recognised since 1 April 2007 only, the date of its formal implementation.

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Item 8

Governance and Assurance Arrangements – Regulator of Social Housing Improvement Programme

Governance & Audit Committee

Date of meeting: 13th July 2026

Lead director/officer: Chris Burgin
Lead Member : Assistant Mayor for Housing

Useful information

- Ward(s) affected: All
- Report author: Chris Burgin
- Author contact details: chris.burgin@leicester.gov.uk
- Report version number: v1.0

1. Summary

1.1 This report sets out the **governance and assurance arrangements** in place to oversee Leicester City Council's response to the Regulator of Social Housing (RSH) inspection and the delivery of the associated Performance Improvement Plan (PIP).

1.2 The report is intended to provide the Governance & Audit Commission with assurance that:

- there are **clear lines of accountability** for improvement activity;
- **robust arrangements** are in place to monitor progress and manage risk; and
- Members receive **regular, structured oversight** of delivery.

1.3 The report focuses on **how assurance is obtained**, rather than on the operational detail of improvement activity, which is reported through other established scrutiny routes.

2. Recommended actions/decision

The Governance & Audit Commission is recommended to:

1. **Note** the governance and assurance arrangements in place to oversee delivery of the RSH Performance Improvement Plan; and
2. **Take assurance** that appropriate frameworks are in place to monitor progress, manage risk and provide Member oversight.

3. Scrutiny / stakeholder engagement

3.1 This report is concerned with Governance, scrutiny and oversight

4. Background and options with supporting evidence

4.1 Background

4.1.1 In May 2025, an inspection by the Regulator of Social Housing resulted in a consumer grading of **C3 (requiring improvement)**.

4.1.2 Following the inspection outcome, the Council entered a period of enhanced regulatory engagement and agreed a **Performance Improvement Plan**, setting out the actions required to achieve compliance with the Consumer Standards.

4.1.3 The Council's objective is to demonstrate sustained improvement and secure a compliant grading within a reasonable timeframe, supported by effective governance, oversight and assurance arrangements.

4.1.4 The inspection findings and detailed improvement activity have been reported previously through appropriate routes. This report does not revisit those matters, but instead focuses on the **governance framework through which progress is overseen and assured**.

4.2 Governance and Assurance Arrangements

Senior Officer Oversight

4.2.1 A dedicated **RSH Oversight Board** has been established, chaired by the Strategic Director of City Development & Neighbourhoods.

4.2.2 The Board meets on a **monthly basis** and:

- reviews progress against the Performance Improvement Plan;
- considers delivery risks and mitigating actions; and
- provides senior officer challenge and escalation where required.

4.2.3 Each action within the PIP is assigned to a **named senior officer**, ensuring clear accountability for delivery.

4.3 Performance Management and Reporting

4.3.1 Progress against the Performance Improvement Plan is monitored through:

- structured performance reports to the Oversight Board;
- defined milestones and delivery trajectories; and
- supporting evidence demonstrating progress against agreed actions.

4.3.2 These arrangements ensure that progress is **systematically tracked**, risks are **identified and managed**, and corrective action can be taken where delivery issues arise.

4.4 **Member Oversight**

4.4.1 Elected Members receive **regular updates** on progress through established governance routes, including:

- Lead Member Briefings;
- Housing Scrutiny Commission; and
- Tenant Scrutiny Panel.

Both the TSP and HSC are empowered to look in more detail should they decide.

4.4.2 An agreed reporting cycle ensures that Members have:

- visibility of progress and key risks;
- the opportunity to provide challenge; and
- assurance that improvement activity is being effectively overseen.

4.5 **External Regulatory Engagement**

4.5.1 The Council maintains **regular engagement with the Regulator of Social Housing**, including scheduled meetings, submission of evidence, and ongoing dialogue regarding delivery against the Performance Improvement Plan.

4.5.2 This provides an important element of **external scrutiny and validation** of the Council's assessment of progress.

4.6 **Internal Audit and Independent Assurance**

4.6.1 Internal audit activity (delivered by Veritau) forms part of the overall assurance framework, providing:

- independent review of key risk areas;
- assurance on compliance and control arrangements; and
- additional confidence to senior officers and Members.

4.6.2 Audit findings are reported through established governance routes and contribute to the Council's overall assurance position.

4.7 **Overall Assurance**

4.7.1 Taken together, these arrangements provide:

- **clear accountability for delivery;**
- **regular and structured oversight** at both officer and Member level; and
- **independent assurance** through audit and regulatory engagement.

4.7.2 The Governance & Audit Commission is therefore invited to take assurance that **appropriate governance frameworks are in place to oversee and monitor delivery of the Council's RSH improvement programme.**

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

5.1 Financial implications

There are no direct financial implications associated with the governance and assurance arrangements outlined within this report. The additional cost of the operational improvement activity has been reflected within the budget for 2026/27.

Signed: Stuart McAvoy - Head of Finance

Dated: 21st May 2026

5.2 Legal implications

The governance arrangements described in this report support the Council in meeting its statutory duties as a registered provider of social housing and in responding appropriately to regulatory requirements.

Signed: Kamal Adatia

Dated: 21st May 2026

5.3 Equalities implications

There are no direct negative equality impacts arising from noting this governance framework. Housing improvements being overseen directly affect social housing tenants, who often include higher proportions of elderly residents, disabled individuals, and ethnically diverse communities. It is important that updates, consultation materials, and progress reports intended for tenant or public consumption are accessible in alternative formats and languages to maintain transparent accountability.

Signed: Equality Officer, Surinder Singh, Ext 37 4148

Dated: 27 May 2026

5.4 Climate Emergency implications

There are no direct climate emergency implications arising from this report.

Signed: Phil Ball, Sustainability Officer, Ext 372246

Dated: 21st May 2026

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

6. Background information and other papers:

7. Summary of appendices:

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)?

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

Counter Fraud Annual Report 2025/26

Governance & Audit Committee

Decision to be taken by: N/A

Date of meeting: 13 July 2026

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Daniel Clubb, Assistant Director – Corporate Fraud (Veritau)
- Author contact details: daniel.clubb@veritau.co.uk
- Report version number: 1.0

1. Summary

- 1.1 This report notes the transfer of service to Veritau during the year and provides details of counter fraud activity undertaken since this transfer.

2. Recommended actions/decision

- 2.1 The Governance & Audit Committee is recommended to:
- 2.1.1 Note the counter fraud activity completed during 2025/26.

3. Scrutiny / stakeholder engagement

- 3.1 The Director of Finance receives regular updates on counter fraud work during the year.
- 3.2 The counter fraud team works directly with a number of Council services to deliver fraud awareness messaging, investigate fraud concerns, and to provide advice to Council officers.

4. Background and options with supporting evidence

- 4.1 The risk of fraud is constantly evolving. The counter fraud service helps mitigate fraud risk, investigate suspicions, and to take appropriate action when it is detected.
- 4.2 Leicester City Council transferred its counter fraud service to Veritau in October 2025. The Counter Fraud Annual Report at appendix 1 highlights this change and focuses on the counter fraud activities undertaken since the transfer. It also notes that how counter fraud work and its impact is measured will be reviewed for future updates to the Committee.
- 4.3 The report describes the range of support the counter fraud function provides to the Council and details levels of concerns reported.
- 4.4 An update on activity undertaken as part of the National Fraud Initiative is also included.

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

5.1 Financial implications

Fraud can cause the Council significant loss; hence activity to prevent and detect fraud is a clear financial investment and a key component of good financial control and governance.

Signed: Amy Oliver, Director of Finance

Dated: 30 June 2026

5.2 Legal implications

Fraud is a criminal offence and therefore represents breach of the law. Other forms of financial irregularity, though not criminal, may be in breach of regulation. The conduct of counter-fraud work of all kinds is bound by law and regulation and the Council is careful to ensure that its activities in this area are properly discharged.

Signed: Kamal Adatia, City Barrister & Head of Standards

Dated: 30 June 2026

5.3 Equalities implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

This report provides an annual assurance opinion on the council's governance, risk management and control framework and does not introduce changes to policy or service delivery. There are no direct equality implications arising. Effective internal audit arrangements support compliance with the Public Sector Equality Duty by helping ensure that systems and processes operate fairly and lawfully.

Signed: Surinder Singh, Equalities Officer

Dated: 26 June 2026

5.4 Climate Emergency implications

This report does not contain any significant climate emergency implications.

Signed: Phil Ball, Sustainability Officer, Ext 372246

Dated: 29th June 2026

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

None.

6. Background information and other papers:

None

7. Summary of appendices:

Appendix 1 – Counter Fraud Annual Report 2025/26

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



COUNTER FRAUD ANNUAL REPORT 2025/26

Date: 13 July 2026

Appendix 1

CONTENTS

- 3** Background
- 3** Counter Fraud Service
- 4** Proactive Counter Fraud Work
- 6** Changes to Counter Fraud Reporting
- 7** Investigative Work
- 8** National Fraud Initiative



Daniel Clubb
Assistant Director -
Corporate Fraud



BACKGROUND

- 1 Fraud and corruption present a significant and ongoing risk to local authorities. Fraud is the most common offence in the UK, accounting for 43% of all crime¹. A 2024 report by the National Audit Office estimated that fraud and error cost the taxpayer between £55 and £81 billion in 2023/24, and that only a fraction of this is detected². Financial loss due to fraud can reduce a council's ability to support public services and can cause reputational damage.
- 2 During the year, the Council's counter fraud arrangements underwent a significant transition. The service transferred from an in-house team to the Council's new partner, Veritau, in October 2025.
- 3 Veritau to provide a corporate fraud service which works to prevent, detect and deter fraud and related criminality. Veritau's qualified criminal investigators support Council services with fraud prevention. They also proactively identify issues through data matching exercises and investigate suspected fraud. To deter fraud, offenders face a range of outcomes, including prosecution in the most serious cases.
- 4 The Counter Fraud Team also plans and takes part in counter fraud campaigns (eg the National Fraud Initiative), undertakes fraud awareness activities with staff and the public, and maintains and updates the Council's counter fraud framework and associated policies.
- 5 This report provides the Governance and Audit Committee with information about the transfer of service to Veritau and explains updates to the reporting of counter fraud activities and outcomes. The report also summarises counter fraud activity completed since the transfer of service. Activity completed prior to the transfer was reported to the Committee separately in November 2025.

COUNTER FRAUD SERVICE

- 6 In October 2025, the Council transferred its counter fraud provision from an in-house team to Veritau. Six members of the former team moved to Veritau as part of this process.
- 7 In preparation for the transfer, Veritau worked closely with former team to manage the transition, including integration of databases and aligning processes, while maintaining continuity for Council services. Live investigations continued through the transfer period without loss of momentum or impact on service provision.

¹ [National Economic Crime Centre Annual Report 2024-2025](#), National Crime Agency, published July 2025.

² [An overview of the impact of fraud and error on public funds](#), National Audit Office, published November 2024.

- 8 The new service gives the Council access to 30 skilled counter fraud professionals. Officers in the Veritau Counter Fraud Team develop specialist knowledge of service areas to better target and prevent new and emerging fraud affecting local government. When fraud does occur, they are best placed to stop it, investigate it, and recover losses.
- 9 Veritau's counter fraud service balances reactive work (criminal investigations) with proactive exercises, like days of action, data matching, sharing national and regional intelligence reports, and providing advice and support to officers.
- 10 The Council will benefit from Veritau's membership of both regional and national counter fraud networks. Veritau provide counter fraud services to six authorities across the England and are well place to collate and share information affecting different authorities. We are active participants in national forums having led the conversation and publication of a report on adult social care fraud and currently being involved in the upcoming revised Fighting Fraud and Corruption Locally guidance for local government.

PROACTIVE COUNTER FRAUD WORK

- 11 Veritau delivers a programme of proactive work to promote the ongoing development of the Council's counter fraud arrangements and to increase awareness of fraud risks among officers. This supports the development of a robust and effective organisational response to fraud. Increasing the awareness of officers to fraud and those who perpetrate it, maximises the chances of identifying fraud and that it will be reported.
- 12 Since October, investigators have met with officers in revenues, benefits, housing, and social care to conduct a review of the forms used to apply for services. Recommendations will be made to strengthen processes and ensure that they are designed with fraud detection and deterrence in mind.
- 13 From 1 April 2026, the Council has administered a new Department of Work (DWP) and Pensions funded scheme – the Crisis Resilience Fund – which provides immediate support to low-income households facing unexpected financial problems. The counter fraud team provided support to project officers with advice on the application processes and counter fraud messaging for those accessing the scheme. Fraud training was delivered to officers who process applications, highlighting the signs of fraud. Veritau continues to provide support as the scheme rolls out and investigates any potentially fraudulent attempts to access public money. This also helps the Council meet the DWP requirements for locally managing fraud risk and sends the message that fraud will not be tolerated.
- 14 The counter fraud team are working with officers in school admissions to explore targeted data matching. This will help the service identify issues with applications that can be further investigated, supporting assurance and the integrity of the application process for local families.

- 15 In November 2025, the Council's Anti-Fraud, Bribery and Corruption Policy, and Anti-Money Laundering Policy were presented to the Committee for triennial review. Minor updates were made to each policy to reflect the transfer of the counter fraud service, and to reflect current legislation.
- 16 Further policy work is taking place alongside the Council's Monitoring Officer. Recommendations for updates to the Council's whistleblowing policy are under review. Changes include new legislative provisions affecting "protected disclosures" relating to sexual harassment, and the inclusion of Veritau as a suitable party to whom reports can be made. A new Counter Fraud and Corruption Prosecution policy has been drafted and discussed with Legal Services. It brings greater focus to the offences in scope of the counter fraud team's work, and sets out the considerations for alternatives to prosecution that are available to the Council.
- 17 Raising awareness of fraud amongst Council employees and the public is an important function of the Counter Fraud Team. Following the transfer of service to Veritau, a message was issued on the Council's intranet advising staff of the change, and the details to use when reporting fraud concerns. External webpages were also updated to provide the Counter Fraud Team's 0800 hotline and email address.
- 18 Details of how to report fraud was issued to all households and businesses in the annual council tax and business rates bills issued in March 2026.
- 19 Veritau's Counter Fraud Team provided bespoke fraud awareness training to officers working within revenues, benefits, social care, and housing management. The training covered how each service can be targeted by fraudsters, the role of the Counter Fraud Team, how Council officers can spot the signs of fraud, and report their concerns. These sessions have raised awareness of fraud threats with staff and highlighted the Council's new counter fraud arrangements.
- 20 The Counter Fraud Team produce a regular newsletter for employees working in Adult Social Care which focusses on recent frauds detected locally and nationally. The February 2026 edition reported examples of fraud including a service user's partner stealing £20k of Direct Payments provided by a council to support someone with care needs.
- 21 Veritau is an active participant in regional and national counter fraud groups. In April 2025, members of the team attended a meeting with the Public Sector Fraud Authority and Tom Hayhoe, the then Covid Counter-Fraud Commissioner. The meeting focussed on lessons learned from fraud involving Covid-19 schemes during the pandemic and the recovery of losses. The team continue to attend the Public Sector Fraud Authority's Community of Practice meetings that brings together officers working in both central and local government fraud teams.
- 22 Veritau now chair the East Midlands Fraud Group. This forum brings together local authority investigators and housing association officers from the region, providing an opportunity to discuss responses to fraud threats and wider best practice.

- 23 Throughout the year, Veritau shared alerts on fraud threats identified by partners in the counter fraud community, including the National Anti-Fraud Network (NAFN). The team regularly provided intelligence reports about fraud types and known criminals to affected Council service areas. This included potential attempts against local authorities that relied on impersonation of senior officers, and the identities used in polygamous working (also known as career polygamy) frauds.
- 24 Council employees and members of the public are encouraged to report any concerns they have about fraud affecting the Council. Veritau can be contacted on 0800 9179 247 or email counter.fraud@veritau.co.uk. Those who contact the team can do so anonymously. All reports of fraud against the Council are reviewed, and action is taken whenever possible.

CHANGES TO COUNTER FRAUD REPORTING

- 25 Prior to the counter fraud service transferring to Veritau, the Committee received statistical reports on counter fraud work that focussed on the number of interactions that led to notional saving. This methodology combined fraud investigations with intelligence provided to services for further enquiry and action. Veritau will provide the Committee with case data that better reflects investigative work completed by the new team.
- 26 Veritau's Counter Fraud Intelligence Team undertake work on referrals that do not progress to criminal investigation (eg due to a lack of evidence identified during referral triage) rather than referring these back to Council departments. If a debt was raised following the service's interaction, this data would be included in reports of counter fraud outcomes. Veritau's approach reduces the burden on services by providing an actionable report that they can use to review the service(s) being provided. Reports on successful outcomes will now more closely align to work completed by the counter fraud team.
- 27 Savings data previously reported to the Committee primarily recorded and reported overpayments generated for recovery combined with notional values agreed for different types of investigations. The Director of Finance has asked Veritau to revisit how counter fraud work and its impact is measured. This may mean that future figures are not comparable with previous years.

INVESTIGATIVE WORK

- 28 Differences in the fraud management systems used by the former in-house team and Veritau, prevent reporting directly comparable data across the year. The information below details activity during the current year from when Veritau began delivering counter fraud services, ie 1 October 2025 to 31 March 2026.

- 29 The counter fraud team received 80 referrals from the public, Council officers, external agencies, and proactive exercises. Referral numbers have continued to grow in 2026/27 following initial awareness work with officers. Each report of fraud is carefully reviewed by the counter fraud team to determine the appropriate course of action.
- 30 Twenty-five investigations have been concluded by Veritau. Two matters resulted in the Council undertaking a prosecution.
- A tenant was found guilty of subletting her Council property to a family member while attempting to purchase the home under the Right to Buy (RTB) scheme. During routine checks by the counter fraud team to verify the Right to Buy application, it was discovered that the tenant had links to an address out of area. Investigation confirmed that the tenant was no longer resident in Leicester, and that she had provided false information on her application to purchase the property. The court imposed an eight month custodial sentence, suspended for 12 months, and ordered the tenant to complete 150 hours of unpaid work.
 - A driver was prosecuted for misusing a disabled parking badge (blue badge) that belonged to his father, to park on double yellow lines. Misusing a blue badge when the holder is not present disadvantages other badge holders. The court found the driver guilty and ordered them to pay £240 in fines and costs.
- 31 The counter fraud team work closely with officers in Housing. An investigation into an alleged Council property being sublet ended with possession of it being regained by the Council. This home will now be provided to someone in genuine need from the Council's housing waiting list. The team also undertake proactive review of Right to Buy applications. One application was stopped as a result of the team's work. Loss of Council homes through false Right to Buy applications reduces the stock of properties the Council has to support those in need.

NATIONAL FRAUD INITIATIVE

- 32 The National Fraud Initiative (NFI) is a large-scale data matching exercise managed by the Public Sector Fraud Authority. Councils and a number of other public sector bodies in the UK must comply with a legislative requirement to participate.
- 33 The main exercise that requires a range of Council departments to supply data takes place every two years. Data was last submitted in 2024/25 which produced over 11,000 matches. Services undertake risk-based reviews of the matches, actioning changes where required.
- 34 Over 7,600 matches have been processed by Leicester City Council officers. The PSFA has calculated that this work has helped save the public purse £46.5k.

- 35 The NFI undertakes a second project annually that focusses on claims for Single Person Discount to reduce council tax liability. Matches compare discounts received against the Electoral Register to identify potentially undeclared residents that would invalidate a reduction in liability. The Revenues service review these matches on a rolling basis alongside routine checks on Single Person Discounts.
- 36 Where service areas identify potential fraud, the matter will be referred to the fraud team for further investigation. During the next main exercise beginning in late 2026/27, Veritau's Counter Fraud Team will work more closely with services to help identify and investigate potential fraud against the Council.

Head of Internal Audit annual report 2025/26

Governance & Audit Committee

Decision to be taken by: N/A

Date of meeting: 13 July 2026

Lead director/officer: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Connor Munro, Assistant Director – Audit Assurance (Veritau)
- Author contact details: connor.munro@veritau.co.uk
- Report version number: 1.0

1. Summary

- 1.1 This report includes the Head of Internal Audit annual report (appendix 1), which summarises internal audit work undertaken in 2025/26 and provides an opinion on the overall adequacy and effectiveness of the council's framework of governance, risk management and control.

2. Recommended actions/decision

- 2.1 The Governance & Audit Committee is recommended to:
- 2.1.1 Note the results of internal audit work undertaken, and the opinion of the Head of Internal Audit that Reasonable Assurance can be provided on the adequacy and effectiveness of the council's framework of governance, risk management and internal control.
 - 2.1.2 Note the outcome of Veritau's quality assurance and improvement programme, including the confirmation that the internal audit service conforms to public sector internal auditing standards.
 - 2.1.3 Note that no significant control weaknesses have been identified by internal audit during the year which are considered relevant to the preparation of the Annual Governance Statement.

3. Scrutiny / stakeholder engagement

- 3.1 In preparing and delivering the 2025/26 internal audit work programme, on which this annual report is based, consultation has taken place with members of the Governance & Audit Committee and key officers from across the council.
- 3.2 The work programme has been continually reviewed during the year. This has been done alongside senior officers and this committee to ensure that work has remained targeted to priority areas and that, taken together, it allows internal audit to provide an informed opinion on the council's control environment.

4. Background and options with supporting evidence

- 4.1 The work of internal audit is governed by the Accounts and Audit Regulations 2015 and relevant professional standards. With effect from 1 April 2025, these have been the Global Internal Audit Standards in the UK Public Sector. This new standards regime is made up of the Institute of Internal Auditors' Global Internal Audit

Standards and the Application Note: Global Internal Audit Standards in the UK Public Sector.

- 4.2 To conform to professional standards and the council's internal audit charter, the Head of Internal Audit must provide an overall conclusion on the strength of the council's framework of governance, risk management, and control. This conclusion, referred to as the 'annual opinion', is a key source of independent assurance for the preparation of the council's Annual Governance Statement.
- 4.3 The basis for the annual opinion is the body of internal audit work performed during 2025/26. A summary of internal audit work undertaken during the year, and relevant to the opinion, is contained in appendix 1.
- 4.4 In addition to providing an opinion, the Head of Internal Audit is required to report on the outcomes of the internal audit service's quality assurance and improvement programme (QAIP). This is to provide the committee with reassurance that work continues to conform to professional standards. Appendix 1 provides details on Veritau's QAIP, confirming its conformance to the Global Internal Audit Standards in the UK Public Sector during 2025/26.
- 4.5 The nature of this report is such that alternative options are not appropriate. To discharge functions under the terms of reference for the Governance & Audit Committee, it is required to review and approve the Head of Internal Audit annual report.

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

5.1 Financial implications

There are no direct financial implications arising from this report. However, as a result of the work carried out, assurance regarding the operation of key financial systems is gained and there would be an expectation that implementing internal audit recommendations could improve effectiveness, efficiency and economy.

Signed: Amy Oliver, Director of Finance

Dated: 24 June 2026

5.2 Legal implications

There are no adverse legal implications arising from this report.

Signed: Kamal Adatia, City Barrister & Head of Standards (Monitoring Officer)

Dated: 24 June 2026

5.3 Equalities implications

Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who

share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

The Council has responsibility for establishing and maintaining appropriate risk management processes, control systems and governance arrangements. There are no equality implications arising directly from this report. People from across all protected characteristics should benefit from the work of the committee and the audits that are conducted and reported on by ensuring the effectiveness of the Council's internal control system.

Signed: Surinder Singh, Equalities Officer

Dated: 26 June 2026

5.4 Climate Emergency implications

There are no implications linked to the climate emergency arising directly from this report.

Signed: Phil Ball, Sustainability Officer

Dated: 29 June 2026

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

None.

6. Background information and other papers:

None

7. Summary of appendices:

Appendix 1 – Head of Internal Audit annual report 2025/26

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

HEAD OF INTERNAL AUDIT ANNUAL REPORT 2025/26

13 JULY 2026

APPENDIX 1

CONTENTS

| | |
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| 2 | Background |
| 2 | Internal audit work carried out in 2025/26 |
| 3 | Follow up of agreed actions |
| 3 | Professional standards |
| 5 | Opinion of the Head of Internal Audit |
| 6 | Annex A - Internal audit work in 2025/26 |
| 14 | Annex B – Assurance audit opinions and finding priorities |
| 15 | Annex C - Follow up of agreed audit actions |
| 17 | Annex D - Internal audit quality assurance and improvement programme |



Connor Munro
Director - Internal Audit
Head of Internal Audit

Background



- 1 The work of internal audit is governed by the Global Internal Audit Standards in the UK Public Sector and the council's audit charter. These require the Head of Internal Audit to bring an annual report to the Governance & Audit Committee. The report must include an overall conclusion (annual opinion) on the adequacy and effectiveness of the council's framework of governance, risk management and control. The report should also include:
 - (a) any qualifications to the opinion, together with the reasons for those qualifications (including any impairment to independence or objectivity)
 - (b) any particular control weakness judged to be relevant to the preparation of the annual governance statement
 - (c) a summary of work undertaken to support the opinion, including any reliance placed on the work of other assurance bodies
 - (d) an overall summary of internal audit performance and outcomes from the internal audit service's quality assurance arrangements, including a statement on conformance with professional standards.

Internal audit work carried out in 2025/26



- 2 Throughout 2025/26, internal audit work has continued to be prioritised based on risk and the need to provide coverage of the council's framework of governance, risk management and control. This has seen audits removed from the work programme and others added as risks and priorities have changed, and as our understanding of key systems of internal control has developed.
- 3 We have also continued to promote good governance, provide advice and support, and make recommendations to management to help improve controls. We have met with the Director and Assistant Director of Finance, the Corporate Governance Panel, divisional senior management teams and other officers on a regular basis to help identify and address governance issues and concerns, and to ensure audit work has remained targeted towards key risk and priority areas.
- 4 The results of completed audit work have been reported to service managers and relevant chief officers during the course of the year. In addition, summaries of all finalised audit reports have been presented to this committee as part of regular progress reports.
- 5 A summary of internal audit work undertaken during the year, and relevant to the opinion, is contained in annex A. This also shows other work undertaken by the internal audit team to support the council during 2025/26.
- 6 At the time of writing, 12 audits have been finalised since the previous report to this committee. A further five audit reports have been issued to the

responsible officers but remain in draft, and one audit is nearing the end of the fieldwork stage. Finalisation of these audits will see the conclusion of the 2025/26 work programme.

- 7 Annex B provides the definitions for our audit opinions and finding ratings. This can be referred to, to help interpret information presented in annex A.

Follow up of agreed actions

- 8 All actions agreed with services as a result of internal audit work are followed up to ensure that issues are addressed.
- 9 Based on follow up work completed, we are satisfied that sufficient progress is being made to address the control weaknesses identified in previous audits.
- 10 A summary of the outcomes from follow-up activity is included at annex C.

Professional standards

- 11 In order to comply with professional standards, the Head of Internal Audit is required to develop and maintain a quality assurance and improvement programme (QAIP).
- 12 The objective of the QAIP is to ensure that working practices continue to conform with the standards. A summary of quality assurance processes, and any areas identified for development, are reported to the committee each year as part of the annual report. The arrangements consist of various elements, including:
 - ▲ maintenance of a detailed audit procedures manual and standard operating practices
 - ▲ ongoing performance monitoring of internal audit activity
 - ▲ regular customer feedback
 - ▲ training plans and associated training and development activities
 - ▲ periodic self-assessments of internal audit working practices (to evaluate conformance to the standards).
- 13 External assessments must also be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation. An external assessment of Veritau's internal audit working practices was undertaken between June and August 2023 by John Cheshire, an approved reviewer for the Chartered Institute of Internal Auditors (the UK and Ireland's local chapter).
- 14 The assessment involved a full independent validation of Veritau's own self-assessment of conformance to the Public Sector Internal Audit Standards

(PSIAS)¹, as well as to the wider International Professional Practices Framework which governed the performance of internal auditing globally at the time the assessment was undertaken. The report concluded that Veritau's internal audit activity generally conforms to the PSIAS² and, overall, the findings were very positive.

- 15 The feedback included comments that the internal audit service was highly valued by its clients. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning and the way in which we engaged flexibly with our clients throughout the internal audit process, at the strategic and operational levels.
- 16 Effective from 1 April 2025, the PSIAS were replaced by what are known as the Global Internal Audit Standards in the UK Public Sector. These standards are made up of the Institute of Internal Auditors' Global Internal Audit Standards (GIAS) and the Application Note: Global Internal Audit Standards in the UK Public Sector ('the Application Note'). The Application Note interprets the GIAS, clarifying how they should be applied in UK public sector organisations.
- 17 In the UK, the body responsible for interpreting the GIAS and setting expectations for the performance of internal audit in the public sector is the Internal Audit Standards Advisory Board (IASAB). The IASAB is made up of six 'Relevant Internal Audit Standard Setters' (RIASS) representing central and local government, and the health sector. The RIASS for UK local government is the Chartered Institute of Public Finance and Accountancy (CIPFA). The IASAB developed the Application Note, releasing it in the early part of 2025.
- 18 The Global Internal Audit Standards (from which the Application Note provides its local government interpretations) were launched on 9 January 2024 and became effective on 9 January 2025. Veritau has used a conformance assessment toolkit, published by CIPFA in January 2026, to undertake our self-assessment against the Global Internal Audit Standards in the UK Public Sector.
- 19 Our overall assessment is that Veritau conforms to the Global Internal Audit Standards in the UK Public Sector. However, through application of the QAIP, we have identified some actions to help strengthen our ability to demonstrate conformance and to continuously improve service delivery.
- 20 Details of Veritau's QAIP are set out in annex D.
- 21 The internal audit charter sets out how internal audit at the council will be provided in accordance with professional standards. The charter is reviewed on an annual basis. It was updated following the introduction of the Global Internal Audit Standards in the UK Public Sector in April 2025 and was presented to the committee in July 2025. No further changes are considered necessary at this time.

¹ The assessment undertaken in 2023 was made against the PSIAS as the standards applicable at the time. The PSIAS were replaced by the GIAS UK Public Sector on 1 April 2025.

² PSIAS guidance suggested a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' was the top rating.

Opinion of the Head of Internal Audit



- 22 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**.
- 23 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.
- 24 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 council's annual governance statement.

ANNEX A: INTERNAL AUDIT WORK IN 2025/26

Audits in progress

| Audit | Status |
|--|-------------|
| Planning performance | In draft |
| Adult social care debt management | In draft |
| Payroll | In draft |
| Recruitment, selection, and onboarding | In draft |
| School capital allocation programme | In draft |
| Home to school transport | In progress |

Final reports issued

| Audit | Reported to committee | Opinion | Count of findings by priority | | | |
|---|-----------------------|-----------------------|-------------------------------|-------------|----------|-------------|
| | | | Critical | Significant | Moderate | Opportunity |
| Ordering and creditor payments | July 2025 | Substantial Assurance | 0 | 0 | 1 | 0 |
| Highways maintenance scheme development | July 2025 | Reasonable Assurance | 0 | 2 | 1 | 0 |
| Homelessness (high-cost accommodation) | July 2025 | Reasonable Assurance | 0 | 3 | 0 | 0 |
| School traded services (educational psychology) | July 2025 | Reasonable Assurance | 0 | 3 | 0 | 0 |
| Agency and consultancy | July 2025 | Substantial Assurance | 0 | 0 | 3 | 0 |
| High needs funding | July 2025 | No Opinion Given | 0 | 2 | 3 | 0 |
| Bereavement services | September 2025 | Substantial Assurance | 0 | 0 | 0 | 0 |
| Risk management | September 2025 | Substantial Assurance | 0 | 0 | 2 | 0 |

| | | | | | | |
|--|----------------|-----------------------|-----|-----|-----|-----|
| Council tax and NNDR: arrears management | September 2025 | Substantial Assurance | 0 | 0 | 3 | 0 |
| Sundry debtors | September 2025 | Substantial Assurance | 0 | 0 | 1 | 0 |
| Procurement compliance | September 2025 | Reasonable Assurance | 0 | 1 | 2 | 0 |
| ICT network security | January 2026 | Substantial Assurance | 0 | 0 | 5 | 0 |
| Contract management: adult social care | January 2026 | Substantial Assurance | 0 | 0 | 2 | 1 |
| Physical information security | January 2026 | Limited Assurance | 0 | 2 | 2 | 0 |
| School themed audit: purchasing and best value | January 2026 | Reasonable Assurance | 0 | 0 | 6 | 0 |
| Contract Procedure Rules: waivers | January 2026 | Reasonable Assurance | 0 | 3 | 2 | 0 |
| Direct payments | July 2026 | No Opinion Given | N/A | N/A | N/A | N/A |
| Event management | July 2026 | Reasonable Assurance | 0 | 1 | 5 | 0 |

| | | | | | | |
|---|-----------|-----------------------|---|---|---|---|
| Climate Ready Leicester Plan | July 2026 | Substantial Assurance | 0 | 1 | 2 | 0 |
| Contract management: CDN | July 2026 | Substantial Assurance | 0 | 0 | 3 | 0 |
| Adult social care joint commissioning | July 2026 | Reasonable Assurance | 0 | 2 | 3 | 0 |
| Housing rents | July 2026 | Substantial Assurance | 0 | 0 | 0 | 1 |
| Democratic governance and decision making | July 2026 | Substantial Assurance | 0 | 0 | 0 | 1 |
| ICT supplier management | July 2026 | Reasonable Assurance | 0 | 0 | 3 | 0 |
| End user IT policies | July 2026 | Substantial Assurance | 0 | 0 | 2 | 1 |
| Business continuity management | July 2026 | Substantial Assurance | 0 | 0 | 3 | 1 |
| Housing allocations | July 2026 | Reasonable Assurance | 0 | 2 | 3 | 0 |
| Grant-funded schemes: compliance | July 2026 | Substantial Assurance | 0 | 0 | 2 | 0 |

Summary of critical and significant findings (audits reported to the committee for the first time)

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| Audit | | |
|-------------------------------|--|---|
| Event management | | |
| Finding priority & title | Finding summary | Agreed action(s) and timescale(s) |
| Significant | The Festivals and Events Team operates without defined strategic objectives or formal KPIs, instead working towards a broad manifesto commitment to deliver a programme of festivals and activities. While some informal KPIs have been developed for internal monitoring, wider performance reporting remains limited and largely ad hoc. This restricts the team’s ability to set and measure progress against new objectives and to consistently evidence and communicate the service’s achievements. | Existing objectives and accompanying KPIs will be formalised, ensuring that they are relevant, measurable, and aligned to the intended outcomes of the service. <i>30 September 2026</i> |
| Strategic objectives and KPIs | | |
| Climate Ready Leicester Plan | | |
| Finding priority & title | Finding summary | Agreed action(s) and timescale(s) |
| Significant | The Climate Emergency Programme Board (CEPB) is intended | The Sustainability Team will discuss and |

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| | | |
|--|--|---|
| Evidence of scrutiny in meeting records | to oversee delivery of the Climate Ready Plan, including the implementation of new actions and monitoring progress against existing actions. However, CEPB meeting notes and Lead Member Briefing notes lack sufficient detail to demonstrate meaningful scrutiny of highlight reports and associated risks. | agree with the Lead Member and Directors a revised reporting structure to improve the regularity and effectiveness of scrutiny of the Climate Ready Plan. <i>Implemented</i> |
| Adult social care joint commissioning | | |
| Finding priority & title | Finding summary | Agreed action(s) and timescale(s) |
| Significant | The Integrated Health and Care Group (IHCG) risk register is significantly limited in scope, recording only four system-wide risks, and does not assign ownership to all relevant partners, including the council. | Work with the Strategic Director of Social Care and Education will be undertaken to develop a more comprehensive risk register. Any updated register will be reviewed with the group so that it reflects the scope of the Section 75 agreement, and that risk ownership is appropriately assigned. <i>31 August 2026</i> |
| Integrated Health and Care Group risk register | | |
| Significant | There is no consistent, formal process for mapping | Revisit the IHCG terms of reference to |

| | | |
|---|---|--|
| Strategic alignment and monitoring | commissioning activity to the strategy, and reporting does not explicitly link commissioning work to strategic themes. As a result, the IHCG lacks strategy-level KPIs and a structured mechanism to demonstrate progress against the strategy. | better describe the role of SCE strategic commissioning and the strategic alignment with the health, care and wellbeing strategy. Then, run a workshop with public health & NHS colleagues to support the future iteration of the strategy. <i>31 August 2026</i> |
| Housing allocations | | |
| Finding priority & title | Finding summary | Agreed action(s) and timescale(s) |
| Significant | Verification checks are completed to an inconsistent standard, with poor quality proofs being accepted and some checks not being recorded as complete. | A guidance document will be created for officers in the Registration Team and Property Lettings Team outlining the standard required for proofs in relation to verification checks. A web check procedure will also be created to standardise the performance of this task. <i>30 September 2026</i> |
| Verification checks: completion and recording | | |
| Significant | Direct let authorisation forms are completed to an inconsistent standard, with some sections for checks and approvals being left blank. | A reminder will be sent to officers to ensure that the forms are fully completed and signed as required. Instruction will be sent to the Registration Team to visually check forms and reject any with missing information. <i>31 July 2026</i> |
| Direct let authorisation forms: completeness and approval | | |

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Other work in 2025/26

Internal audit work has been undertaken in a range of other areas during the year, including those listed below.

- ▲ Follow up of agreed actions
- ▲ Grant certification work:
 - ▲ ESFA Multiply Funding
 - ▲ DBT Core Growth Hub
 - ▲ DESNZ HUG2
 - ▲ Bus Subsidy Revenue Grant
 - ▲ Local Transport Capital Block Funding
 - ▲ Pooling of Housing Capital Receipts
 - ▲ Homes England compliance audit
 - ▲ Transforming Cites Fund 2
- ▲ Consultative engagements:
 - ▲ Use of Government Procurement Cards (children's services)
 - ▲ Concerto (LeSTAR) financial controls and interface review
 - ▲ Unit4 reimplementation project support
 - ▲ Leaseholder statement of accounts

ANNEX B: ASSURANCE AUDIT OPINIONS AND FINDING PRIORITIES

Audit opinions

Audit work is based on sampling transactions to test the operation of systems. It cannot guarantee the elimination of fraud or error. Our opinion is based on the risks we identify at the time of the audit. Our overall audit opinion is based on four grades of opinion, as set out below.

| Opinion | Assessment of internal control |
|-----------------------|---|
| Substantial assurance | Overall, good management of risk with few weaknesses identified. An effective control environment is in operation but there is scope for further improvement in the areas identified. |
| Reasonable assurance | Overall, satisfactory management of risk with a number of weaknesses identified. An acceptable control environment is in operation but there are a number of improvements that could be made. |
| Limited assurance | Overall, poor management of risk with significant control weaknesses in key areas and major improvements required before an effective control environment will be in operation. |
| No assurance | Overall, there is a fundamental failure in control and risks are not being effectively managed. A number of key areas require substantial improvement to protect the system from error and abuse. |

Finding ratings

| | |
|-------------|--|
| Critical | A fundamental system weakness, which presents unacceptable risk to the system objectives and requires urgent attention by management. |
| Significant | A significant system weakness, whose impact or frequency presents risks to the system objectives, which needs to be addressed by management. |
| Moderate | The system objectives are not exposed to significant risk, but the issue merits attention by management. |
| Opportunity | There is an opportunity for improvement in efficiency or outcomes but the system objectives are not exposed to risk. |

ANNEX C: FOLLOW UP OF AGREED ACTIONS

- 1 Follow up work is carried out through a combination of questionnaires completed by responsible officers, risk assessment, and by further detailed review by the auditors where necessary.
- 2 Where responsible officers have not taken the action they agreed to, issues are escalated to more senior officers. Ultimately, they may be referred to the Governance & Audit Committee in accordance with the follow-up and escalation procedure.
- 3 In figure 1, below, the status of agreed actions from follow-up activity undertaken in the last 12 months is shown (up to 15 June 2026).
- 4 For clarity, the figure shows the results of follow up activity for this period, regardless of when actions were originally due (that is, it would include actions which were due over 12 months but were still being followed up).
- 5 For completeness, it also shows actions which have been agreed in finalised audits, but which have not yet fallen due and so have not been followed up.

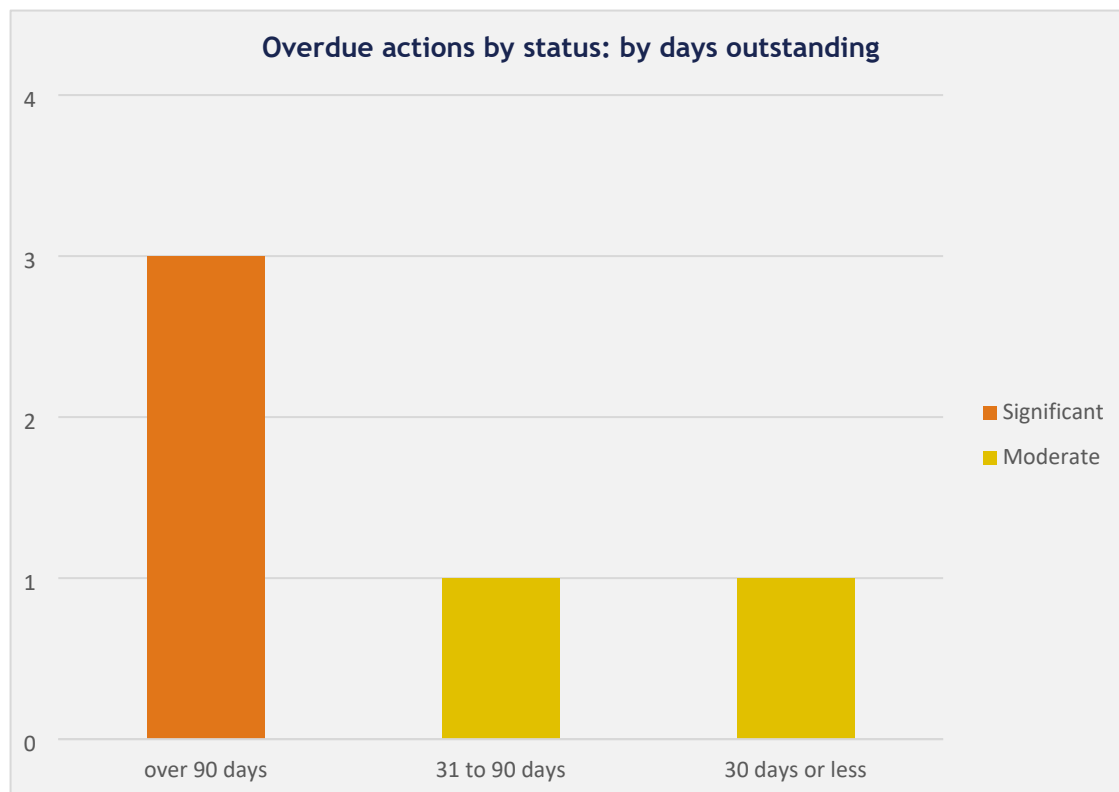
Figure 1: Total agreed actions by current status



- 6 A total of 58 actions have been followed up so far this year. Of these, 53 have been satisfactorily implemented. A total of 23 actions are not yet due for follow-up as their original implementation date has not passed at the time of reporting.

- 7 At the time of reporting, five actions are overdue. This is shown in figure 3, below.

Figure 2: Length of time actions have been overdue



- 8 We have received a response from officers for all five actions. In all cases, the process of following up the action and drawing conclusions is ongoing.
- 9 There will usually be some instances like this at any point in time. It can be due to ongoing communication with the responsible officers to obtain evidence confirming completion of the action. It can also be due to instances where the action taken is not exactly as agreed and further work is being undertaken to assess whether the action taken does satisfactorily address the risk or because there are ongoing discussions about whether to agree revised dates for the action.
- 10 At this stage, no overdue actions are being escalated to the committee.

ANNEX D: INTERNAL AUDIT QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

1.0 Background

Quality assurance and improvement programme (QAIP)

Veritau maintains appropriate ongoing quality assurance arrangements designed to ensure that internal audit work is undertaken in accordance with relevant professional standards. From April 2025 those standards are the Global Internal Audit Standards in the UK Public Sector. Veritau's QAIP includes:

- ▲ the maintenance of a detailed audit procedures manual
- ▲ the requirement for all audit staff to conform to a Code of Ethics and Standards of Conduct Policy
- ▲ the requirement for all audit staff to complete annual declarations of interest
- ▲ detailed job descriptions and competency profiles for each internal audit post
- ▲ regular operational 121 meetings for all auditors, to review progress with audit engagements, and formal 121s that include discussion of overall performance and development
- ▲ induction programmes, training plans and associated training activities
- ▲ attendance on relevant courses and access to e-learning material
- ▲ the maintenance of training records and training evaluation procedures
- ▲ membership of professional networks
- ▲ agreement of the objectives, scope and expected timescales for each audit engagement with the client before detailed work commences (audit specification)
- ▲ the results of all audit testing and other associated work documented in a structured format using our audit management system – K10 Vision
- ▲ file review by senior auditors and audit managers and sign-off at each stage of the audit process
- ▲ the ongoing investment in tools to support the effective performance of internal audit work (for example, data interrogation software)
- ▲ post audit questionnaires (customer satisfaction surveys) issued following each audit engagement
- ▲ regular client liaison meetings to discuss progress, share information and evaluate performance.

On an ongoing basis, completed audit work is subject to internal peer review by a Quality Assurance group. The review process is designed to ensure audit work is completed consistently and to the required quality standards. The work of the Quality Assurance group is overseen by an Assistant Director (Head of Internal Audit). Any key learning points are shared with the relevant internal auditors and internal audit management team. Appropriate mitigating action will be taken

where required (for example, increased supervision of individual internal auditors or further training).

Annual self-assessment

On an annual basis, Veritau seeks feedback from each client on the quality of the overall internal audit service. This includes surveys targeted at senior officers and chairs of audit committees. The Head of Internal Audit also undertakes an annual self-assessment against internal audit standards. As part of ongoing performance management arrangements, managers and auditors assess current skills and knowledge against the competency profiles for internal audit roles. Where necessary, further training or support will be provided to address any development needs.

The internal audit management team also participate in various professional networks and obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes.

The results of annual client surveys, self-assessment against the standards, professional networking, and ongoing quality assurance and performance management arrangements are used to identify any areas requiring further development or improvement. Actions required are reflected in Veritau business plans, the Veritau internal audit strategy, and individual personal development plans as appropriate. Any specific changes needed to address conformance with professional standards are reported to the Governance & Audit Committee as part of the annual report of the Head of Internal Audit. The report also summarises other development activity planned to enhance the delivery of the service. Information gathered for quality assurance and development purposes is also used to evaluate overall conformance with internal audit standards.

External assessment

At least once every five years, arrangements must be made to subject internal audit working practices to external assessment to ensure the continued application of professional standards. The assessment should be conducted by an independent and suitably qualified person or organisation and the results reported to the Head of Internal Audit. The outcome of the external assessment also forms part of the overall reporting process to each client. Any specific areas identified as requiring further development and/or improvement will be incorporated into current development plans.

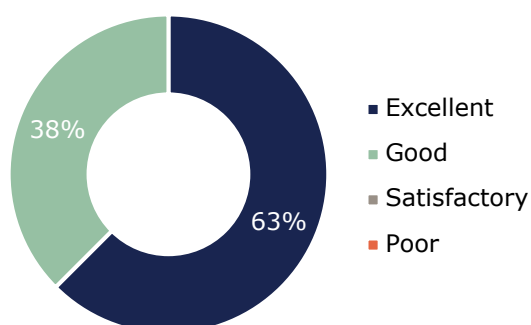
2.0 Customer satisfaction survey 2026

In March 2026, we asked clients for feedback on the overall quality of the internal audit service provided by Veritau during the preceding year. Where relevant, the survey also asked questions about counter fraud and information governance services. A total of 189 surveys (2025 – 188) were issued to senior managers in client organisations. A total of 24 responses were received, representing a response rate of 13% (2025 – 17%). Respondents were asked to

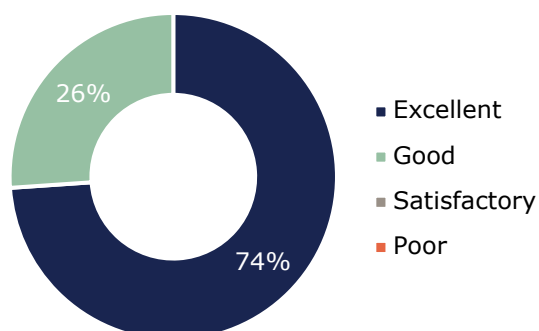
rate the different elements of the audit process as either excellent, good, satisfactory or poor.

Respondents were also asked to provide an overall rating for the service. The results of the survey are set out in the charts below. These are presented as percentages, for consistency with previous years. However, it is recognised that the relatively low number of respondents means that the percentage for each category is sensitive to small changes in the selected response (1 respondent represents about 4%).

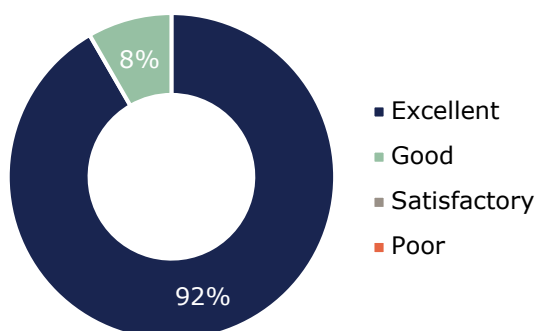
Quality of audit planning / coverage



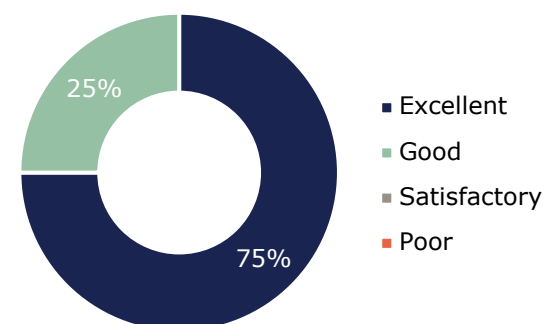
Provision of advice / guidance



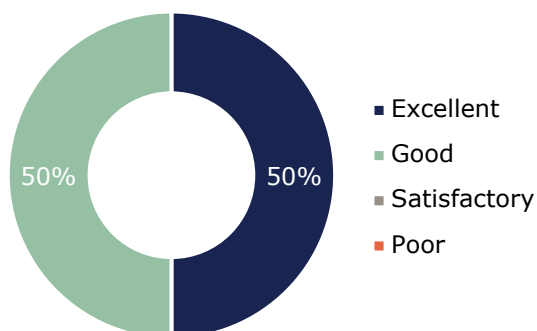
Staff conduct & professionalism



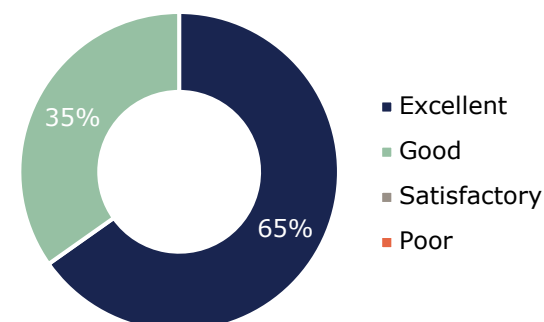
Ability to establish positive rapport



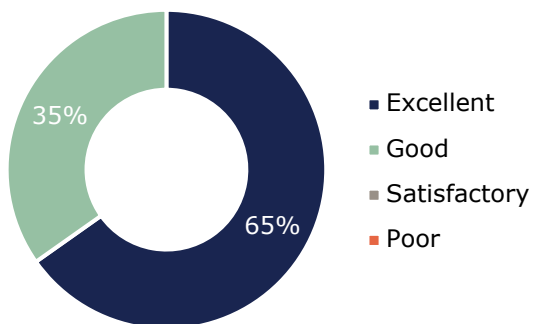
Knowledge of area being audited



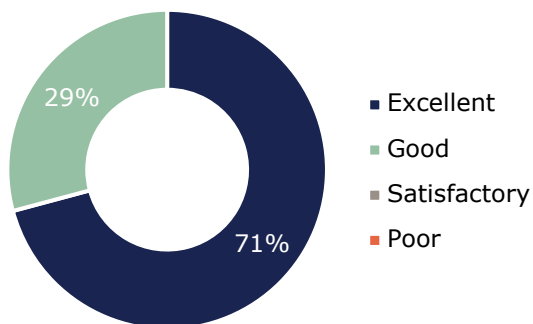
Minimising disruption for area being audited



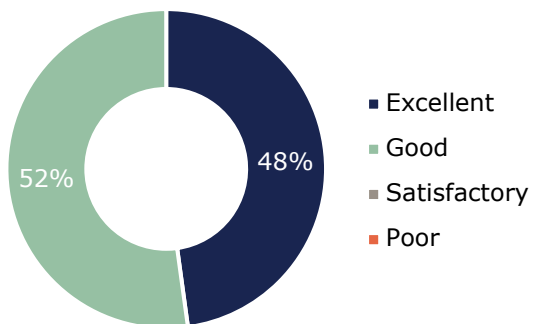
Communication of issues during audit



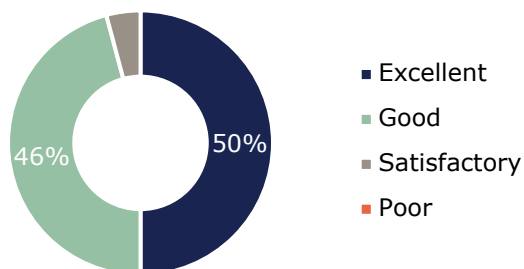
Quality of feedback at end of audit



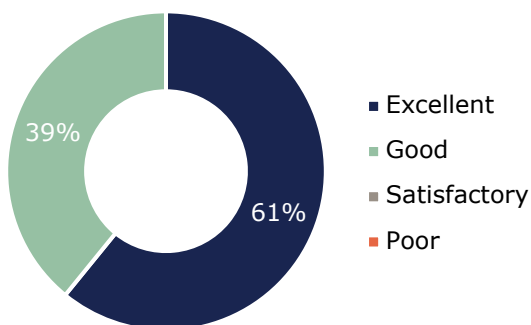
Accuracy / format / length / style of report



Relevance of audit opinions & conclusions



Overall rating for the Internal Audit service



The overall ratings in 2026 were:

| | 2026 ³ | | 2025 | |
|--------------|-------------------|-----|------|-----|
| Excellent | 14 | 61% | 18 | 56% |
| Good | 9 | 39% | 12 | 38% |
| Satisfactory | 0 | 0% | 2 | 6% |
| Poor | 0 | 0% | 0 | 0% |

The feedback shows that the respondents continue to value the service being delivered.

3.0 Internal audit quality and effectiveness survey (audit committee chairs) 2026

In April 2025, Veritau issued its first internal audit quality and effectiveness survey. The survey was sent to the chairs of the audit committees (or equivalent) of our larger clients. Its purpose was to seek the chairs' feedback on how well Veritau had performed, during 2024/25, in supporting the work of their committees. The same survey was issued in April 2026.

The survey includes eight questions covering consultation on audit priorities, coverage and relevance of audit work, timeliness of responses and communication of key issues, quality of reporting, and professionalism. Respondents are also asked to provide an overall rating for the service.

A total of 10 surveys (2025 – 10) were issued in April 2026. Seven responses were received, representing a response rate of 70% (2025 – 50%). Respondents were asked to provide a rating of excellent, good, satisfactory or poor for each question.

The overall ratings in 2026 were:

| | 2026 ⁴ | | 2025 | |
|--------------|-------------------|-----|------|-----|
| Excellent | 5 | 83% | 3 | 60% |
| Good | 0 | 0% | 2 | 40% |
| Satisfactory | 1 | 17% | 0 | 0% |
| Poor | 0 | 0% | 0 | 0% |

Overall, the feedback shows that audit committee chairs continue to consider Veritau's internal audit service effective.

³ Despite responding either 'excellent' or 'good' to the 10 other questions in the survey, one respondent did not provide an overall rating. Therefore, the total response count in the table for 2026 equals 23 rather than 24.

⁴ Despite responding either 'excellent' or 'good' to the seven other questions in the survey, one respondent did not provide an overall rating. Therefore, the total response count in the table for 2026 equals 6 rather than 7.

4.0 Self-assessment against audit standards

The Accounts and Audit Regulations 2015 require internal auditors working in local government to take into account public sector internal auditing standards or guidance. CIPFA (who are responsible for setting internal audit standards for local government) has adopted the Global Internal Audit Standards in the UK Public Sector – or GIAS (UK Public Sector). These standards came into effect on 1 April 2025.

Prior to 2025, Veritau had used a checklist published by CIPFA to assess conformance with the previous standards, the Public Sector Internal Audit Standards. No equivalent checklist for assessment against the new standards had been published by CIPFA at the time the 2025 self-assessment took place. This meant that the 2025 self-assessment used documentation published by the Institute of Internal Auditors (designed to help internal audit functions prepare for the introduction of the new standards) and CIPFA’s Application Note.

In January 2026, CIPFA launched its GIAS (UK Public Sector) conformance assessment toolkit. The toolkit requires 91 conformance assertions to be made⁵ across the following:

- ▲ Global Internal Audit Standards (Institute of Internal Auditors)
- ▲ Application Note: Global Internal Audit Standards in the UK Public Sector (Relevant Internal Audit Standard Setters, including CIPFA)
- ▲ Code of Practice for the Governance of Internal Audit in UK Local Government (CIPFA)

CIPFA’s conformance assessment toolkit was used to undertake a full self-assessment for 2026, the outcomes from which are summarised later.

5.0 2025 self-assessment: update on previous actions

Partial conformance actions

Our 2025 self-assessment allowed us to confirm our overall conformance with the GIAS (UK Public Sector). However, we identified two actions to address areas of partial conformance. These were to update internal audit charters to align with the GIAS (UK Public Sector) and to provide a more structured means for audit committees to provide input on internal audit performance. Both actions have been completed.

All audit charters were updated to incorporate new and changed requirements brought about by the GIAS (UK Public Sector) and were presented to audit

⁵ Conformance assertions are made on a three-point scale: does not conform; partially conforms; generally conforms. Assertions are made at the domain, principle, standard, interpretation, and requirement levels.

committees for approval. A new survey of chairs of audit committees was also developed and issued in April 2025 and is now repeated annually.

Continuous improvement actions

The 2025 self-assessment also highlighted a number of other actions that were not required to conform to the standards but which would help to improve the service. Good progress has been made in implementing these actions.

Updates have been made to our internal training forward plan so that it now links individual sessions to the relevant professional standard(s). Training has been designed and delivered on the professional scepticism standard. Training preparation and evaluation forms have also been developed. Other actions, such as reviewing role competency profiles and value for money auditing procedures, have been incorporated into wider development plans and initiatives.

6.0 2026 self-assessment: outcomes

The 2026 self-assessment has been completed. No areas of non-conformance were identified.

Across the 91 assertions made, only two indicate that Veritau is achieving partial conformance. Both arise from requirements in the Application Note: Global Internal Audit Standards in the UK Public Sector. Specifically, these are the requirements to:

- ▲ Promote awareness and support understanding of value for money, including development of evaluation criteria
- ▲ Have a methodology in place to risk-assess areas covered by a Topical Requirement⁶ and, where required, to perform work in accordance with it.

Three 'conformance actions' have been developed to address the partial conformance identified, as follows:

| Ref. | Title | Action | Timescale |
|------|--|---|---------------|
| CA01 | Auditing value for money: definition and evaluation criteria | Update the audit manual and create a new appendix which defines value for money, provides example evaluation criteria, and documents an approach to evaluation. | December 2026 |
| CA02 | Auditing value for money: training | Develop and provide training to the internal audit service on value for money in the public sector, and on suggested approaches for evaluation. | December 2026 |

⁶ Topical Requirements provide a minimum baseline and relevant criteria for a consistent, comprehensive approach to assessing the design and implementation of governance, risk management, and control processes in particular risk areas (the topics).

| | | | |
|------|-------------------------------|--|---------------|
| CA03 | Managing Topical Requirements | Update the audit manual to include a methodology for how Topical Requirements will be managed, including the rationale for inclusion or exclusion of relevant audits based on an assessment of risk (using the IIA's Topical Requirements Application Guidance to support with design and implementation). | December 2026 |
|------|-------------------------------|--|---------------|

These three actions will be brought into Veritau's quality assurance and improvement programme via the 'conformance and continuous improvement action plan'. The action plan will also contain a further 24 'continuous improvement actions' arising from domains 2-5 of the Global Internal Audit Standards and the Code of Practice for the Governance of Internal Audit in UK Local Government. All 24 actions are designed to support Veritau's ability to evidence conformance in areas already assessed as 'generally conforms'.

The conformance and continuous improvement action plan will be owned and delivered by Veritau's audit management team. We expect that all actions will be completed in time for the 2027 self-assessment.

7.0 External Assessment

The GIAS (UK Public Sector) require the Head of Internal Audit to arrange for an external assessment to be conducted at least once every five years to ensure the continued application of professional standards. The assessment is intended to provide an independent and objective opinion on the quality of internal audit practices.

An external assessment of Veritau's internal audit working practices was undertaken in summer 2023, by John Chesshire, an approved reviewer for the Chartered Institute of Internal Auditors. The report concluded that Veritau internal audit activity 'generally conforms' to the PSIAS⁷ and, overall, the findings of the review were very positive. The feedback included comments that the internal audit service was highly valued by its member councils. Key stakeholders felt confident in the way Veritau had established effective working relations, both in our approach to planning, and the way we engage flexibly with our clients throughout the internal audit process, at both strategic and operational levels.

The assessment was based on the PSIAS. Many of the requirements under the new standards are the same or similar, and we can therefore continue to place reliance on the previous report. However, a further external assessment against the new standards will need to be carried out in the next two years.

⁷ PSIAS guidance suggested a scale of three ratings, 'generally conforms', 'partially conforms' and 'does not conform'. 'Generally conforms' was the top rating.

8.0 Wider development plans and initiatives

Overall, the internal audit services provided by Veritau continue to meet the requirements of professional standards. However, we recognise that the pace of change in local government and the wider public sector mean that there is a need to continually review and update aspects of our service to ensure it stays up to date and continues to deliver good value.

The internal audit strategy

We first introduced an internal audit strategy in 2021. The strategy identified priorities for developing the service and actions to deliver continuous improvement. The latest strategy (2025 to 2027) was adopted in January 2025. It sets out areas we are prioritising for development. These include the following:

- ▲ focussing on the development of high value assurance techniques and expertise
- ▲ further development of systems for planning, prioritising and reporting audit work
- ▲ use of the K10 audit system to improve functionality for the delivery of audit work and the production of management information.

To achieve these priorities, we have focused actions in the following four key areas during 2025/26:

1. embedding a strategic approach to work programme development and the use of the audit opinion framework
2. redesigning and modernising our audit working practices (including assignment planning and reporting)
3. further developing our use of data analytics
4. developing our key performance indicators and the measures of added value.

At the time of preparing this report, we are currently refreshing our internal audit strategy. The new strategy will retain many of the priorities and focus areas of the previous version because they remain central to our continuous improvement efforts. However, early stages of development show that further emphasis will be placed on generating deeper insights and minimising time taken to deliver value. Attention is required in these areas to ensure we keep pace with developments in the profession, aspects of which have been accelerated by improvements in data analytics capability / availability and the growth in artificial intelligence. We expect to launch the new strategy in the first half of 2026.

Quality assurance group: outcomes

The internal audit quality assurance group is currently working on its 2025/26 review. With new follow-up and escalation procedures established at the

beginning of the year, the group is aiming to assess how well these have been applied through our K10 system. Specifically, the review is looking at the design and governance of the follow-up process, its overall effectiveness in terms of outcomes, compliance with procedures, and the strength of the links with client arrangements, the annual opinion, and work programme development.

The group has concluded the first part of the review into governance and procedures. They found that Veritau's arrangements for follow-up align strongly with the requirements of the GIAS (UK Public Sector). Expectations are clearly set in the audit manual, with accompanying procedures available to support consistent application of the process.

A small number of areas requiring improvement have been identified. These include:

- ▲ Further clarifying procedures for initiating follow-up audits, and how to treat the follow-up of actions prior to these audits
- ▲ Developing a stronger process for recording and tracking new actions agreed as a result of follow-up work (i.e. those which replace the originally agreed action)
- ▲ Developing more detailed guidance on the use of system reports, including data quality checks to perform on information shared with client governance groups and audit committees
- ▲ Improving the ease with which system reports can be converted into management information so that we can continue to report on the overall disposition of follow-ups to governance groups rather than on an escalation-only basis.

Once the review has concluded, the final set of improvement actions will be communicated and brought into Veritau's quality assurance and improvement programme. Improvements will then be implemented in a range of ways such as through updating procedures, further system development, incorporation into the internal audit strategy, via team training events, and through feedback to individual auditors where required.

9.0 Overall conformance to standards

Based on the overall outcomes from Veritau's quality assurance and improvement programme, the Head of Internal Audit considers that the internal audit service conforms to Global Internal Audit Standards in the UK Public Sector.

Annual Insurance Report 2026

Governance & Audit Committee

Date of meeting: 13th July 2026

Lead director: Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Stuart McAvoy, Head of Finance
- Author contact details: 0116 454 4004; stuart.mcavoy@leicester.gov.uk
- Report version number: 1

1. Summary

This report:

- presents an overview of the Council's internal and external insurance arrangements;
- provides information on the claims received in recent years, and the results of the claims handling process.

2. Recommended actions/decision

The Committee is recommended to note the contents of the report, and the Council's approach to ensuring it is managing the financial risk associated with insurance claims.

3. Background

This report updates the information presented to the Governance & Audit Committee in July 2025.

4. Report

4.1 Risk Financing

4.1.1 Risk Financing may be defined as the process by which the Council ensures sufficient funds are available to pay for financial losses, using the most cost-effective sources of finance. For insurable risks (it should be noted that not all risks are insurable) this requires a balance between the amount of risk the Council is prepared to take, and the premium payable. The overall approach to risk financing is set out in the Risk Management Policy.

4.1.2 The most significant decision which affects this cost-risk balance is the level of "deductible" (excess) that the Council meets from its own resources. As with household policies, we can save money by taking a higher excess. High deductibles, however, also expose the Council to greater risk. The deductible is generally on a "per claim" basis, although the risk can be reduced further by including an aggregate limit which caps the total annual amount of the Council's exposure. The Council accepts very high deductibles, bearing the full cost of most claims itself, through the insurance fund (see below). This is because the Council is big enough to accept a

lot more risk than individual householders and sees its external insurance primarily as cover for higher cost claims.

4.1.3 Robust risk management across the organisation reduces both the amounts payable in self-insured amounts and the external premium charged. However, it is neither possible nor desirable to eliminate all risks from service delivery. An effective strategy for financing these residual risks is therefore required.

4.2 Financial Position – Annual Budgets

4.2.1 The annual costs of insurance are held as a corporate revenue budget, outside departmental budgets. This funds the costs of external premiums, deductible payments on claims, and claims handling costs.

4.2.2 The 2026/27 budget stands at £2.5m, which covers both external insurance premiums and the cost of claims within the deductible.

4.2.3 The Council does not directly insure maintained schools. Instead, schools have access to a government-backed scheme (the Risk Protection Arrangement, or RPA) which is an alternative to insurance for schools.

4.3 Financial Position – Insurance Fund

4.3.1 As claims received can show considerable variations between years, the Council also holds a corporate insurance fund to smooth out the impact of actual costs on the annual corporate revenue budget from year to year, and to ensure that funds are available to meet claims when they occur.

4.3.2 The Council's policy is to maintain sufficient funding to meet all claims on a "claims occurring" basis. This includes legal and other costs associated with defending the claim, as well as any compensation due to the claimant. As a minimum, therefore, the fund will hold:

- Amounts required for claims received but not yet settled;
- Amounts required for claims relating to events that have occurred, but for which no claim has yet been notified to the Council (e.g. a person who is injured has 3 years to bring a claim against the Council in most cases).

4.3.3 The amount required in the fund at any time can only ever be an estimate, and depends on a number of assumptions about liability and settlement amounts. The balance on the fund is reviewed at least annually, informed by officers' assessments of specific large claims and historical data. Further assurance is provided by a periodic external actuary's report.

4.3.4 As at 31st March 2026, the balance on the insurance fund was £7.3m. For accounting purposes, this is split between a provision (for "known" claims) and an earmarked reserve for other costs, but in practice it is managed as a single fund.

4.4 External insurance

4.4.1 In financial terms, the most significant classes of insurance are Property, Motor and Combined Liability (Employers' and Public Liability).

4.4.2 The insurance market remains difficult, with cost pressures arising across the market. The key drivers of this are outside the control of any single organisation, and include:

- For property insurance, the increasing risk of adverse weather events (e.g. flooding and storms). These events can have huge costs for insurers, resulting in multiple large claims from a single event;
- For liability and motor insurance, the ongoing trend of increasing costs in the most serious injury cases.
- Recent issues around RAAC concrete will have an impact on premiums nationally, as insurers react to the property and liability risks. The exposure of Leicester City Council in this regard is low and as a result we have not seen any material impact on our premiums.
- Personal injury claims are valued based on the Judicial Studies College Guidelines with the latest edition published in April 2026. This will lead to an average increase of 8.26% to any personal injury claim settled, regardless of incident date.
- The Personal Injury Discount Rate was recently reviewed in January 2025, having been last reviewed in 2019. This figure is used to calculate how much defendants have to pay in damages to claimants in serious, life-changing personal injury cases, when damages are paid as a lump sum. This will result in a marginal reduction to the damages being awarded in those cases.

4.4.3 A summary of the current package of insurance is attached at Appendix One. The main insurance contracts were re-procured in 2024, which resulted in a marginal reduction in the total cost of premia.

4.4.4 The leaseholder buildings insurance policy will be retendered for April 2027 due to increases in premiums seen in recent years. It is hopeful that there is more competition for placing this insurance in the market as there has been limited options in previous years.

4.5 Claims information

4.5.1 The greatest numbers of claims arise from activities connected to Highways Maintenance, motor claims, and Housing services. This is because of the nature of these service areas and does not imply poor performance.

4.5.2 The following tables provide a summary of the claims received in significant categories, and the results of the claims investigations, from the past 3 years.

4.5.3 For Highways-related claims, repudiation rates (i.e. the proportion of claims where liability is successfully denied) are over 80% once claims are finalised. While reliable comparator data are not currently available, informal discussions with other authorities suggest that this is a significantly better result than the East Midlands average. Successful repudiation of Highways claims requires evidence of a robust inspection and repairs process, which provides a legal defence to these claims.

Public Liability – Highways – Personal Injury

| Financial Year | LCC at fault | No fault | Total Claims |
|----------------|--------------|-----------|--------------|
| 2023-24 | 6 13% | 40 87% | 46 |
| 2024-25 | 5 10% | 44 90% | 49 |
| 2025-26 | 4 9% | 43 91% | 47 |

Public Liability – Highways – Property Damage

| Financial Year | LCC at fault | No fault | Total Claims |
|----------------|--------------|------------|--------------|
| 2023-24 | 3 3% | 92 97% | 95 |
| 2024-25 | 11 13% | 73 87% | 84 |
| 2025-26 | 36 23% | 121 77% | 157 |

Motor Policy claims

| Financial Year | LCC at fault | Third Party at fault | 50/50 fault or no fault identified | Theft / vandalism against LCC vehicles | Total Claims |
|----------------|--------------|----------------------|------------------------------------|--|--------------|
| 2023-24 | 114 68% | 43 26% | 8 5% | 3 2% | 168 |
| 2024-25 | 128 69% | 31 17% | 16 9% | 11 6% | 186 |
| 2025-26 | 145 77% | 27 14% | 15 8% | 1 1% | 188 |

Public Liability – Council Housing

| Financial Year | LCC at Fault | Contractor at Fault | No fault | Total Claims |
|----------------|--------------|---------------------|-----------|--------------|
| 2023-24 | 10 13% | 1 1% | 67 86% | 78 |
| 2024-25 | 10 15% | 1 1% | 57 84% | 68 |
| 2025-26 | 5 11% | 1 2% | 39 87% | 45 |

4.5.4 Complex claims will often not be finalised until some years after the incident. As a result, the cost of claims arising in 2025/26 will not be finally known for some years. The amount actually *paid* from the insurance fund in each financial year (regardless of when the claim originated) on each of the major types of claim is shown below. (This does not include amounts met by insurers on large claims):

| Policy Type | 2023/24 £000's | 2024/25 £000's | 2025/26 £000's |
|------------------------------------|-------------------|-------------------|-------------------|
| Public Liability | 814.0 | 574.9 | 777.1 |
| Employer's Liability | 73.6 | 668.4 | 664.2 |
| Motor | 222.6 | 295.4 | 328.2 |
| General Property | 70.8 | 189.8 | 15.9 |
| Officials / Professional Indemnity | 0 | 0 | 0 |
| Total | 1,181.0 | 1,728.5 | 1,785.5 |

4.5.5 Amounts paid in an individual year are variable; however, the greatest costs to the Council are from public liability, employer's liability and motor claims. Within this, employer's liability claims tend to be higher value per claim, but are fewer in number. Other classes of insurance claim have a relatively small financial impact in most years. Whilst we get more claims in respect of highways and housing, these tend to be of lower value.

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

5.1 Financial implications

The report is concerned with financial implications throughout.

Claire Gavagan, Assistant Director of Finance
2 July 2026

5.2 Legal implications

This report demonstrates that the Authority has an appropriate method of risk management relating to insurance in an economically efficient way which also goes towards fulfilling its Best Value Duty. The mode of managing risk described in this report does not appear to have adverse legal implications as the Authority is entitled to hold reserves to cover financial risk that might otherwise be covered by obtaining an external insurance policy.

This allows the Authority to balance premium levels against potential expenditure against the chance of crystallisation of such risks. This in turn means the Authority is offered better value premiums as the market is itself protected from exposure to certain levels of risk that the Authority is willing to take on itself also noting that there are some areas where the law requires the Authority to have external policy cover.

In recommissioning any insurance policies, both Procurement and Legal Services will need to be engaged to ensure compliance with internal rules and the Procurement Act 2023.

Mannah Begum - Principal Solicitor (Commercial Legal)
Date: 30th June 2026

5.3 Equalities implications

This report provides an overview of the Council's internal and external insurance arrangements, there are no direct equality implications arising from it. It is important that any claims process is accessible.

Surinder Singh - Equality Officer
Date: 30th June 2026

5.4 Other implications

No other implications are noted as this is a briefing report and no policy changes are proposed.

6. Summary of appendices:

Appendix One – Summary of External Insurance Cover

7. Is this a private report?

No

8. Is this a “key decision”?

No

Summary of External Insurance Cover – as at July 2026

| | Main features of cover | Insurer | Deductible (per claim) |
|----------------------------------|---|-----------------|--|
| General Property | Buildings & contents insurance; including works in progress, and increased cost of working following a claim | AIG | £100,000 (general) £1m for social housing stock |
| Industrial & Commercial Property | Buildings cover for properties owned by the Council and rented out to third parties (e.g. shops, industrial units). | AIG | £250 |
| Casualty (Combined Liability) | a) Employer's Liability – legal liability for injury / illness to employees (plus others carrying out Council business, e.g. elected Members). Employer's Liability insurance is a legal requirement. b) Public Liability – claims for personal injury or property damage by external third parties c) Professional Indemnity – claims alleging that professional services or advice have not been carried out correctly. | QBE | £375,000 £375,000 £375,000 |
| General Motor Fleet | Comprehensive motor policy for Council vehicles. Motor insurance is a legal requirement. | QBE | £200,000 |
| Personal Accident / Travel | Personal accident cover for employees on Council business; travel insurance for employees on Council business | AIG | N/A |
| Engineering & Inspection | Inspection contract to meet statutory requirements on equipment; and associated insurance cover | HSB Engineering | N/A |
| Fine Arts | Specialist cover for museum & art gallery collections | Axa Art | Nil |

Please note that the table above presents only a broad summary of the insurance arrangements, and not the full detail of cover or exclusions.