



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

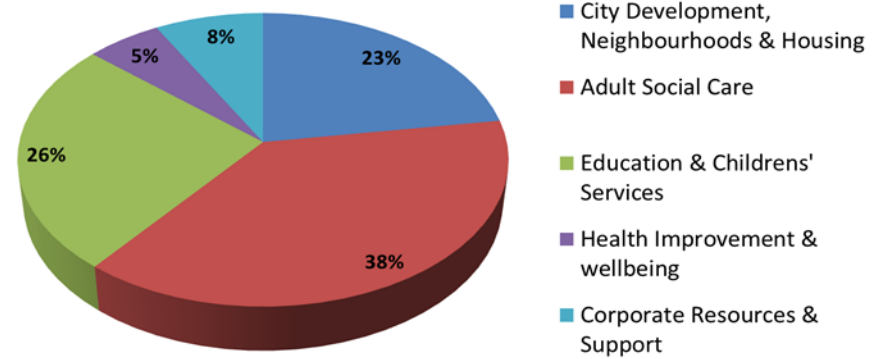
The budget for 2025/26 was set under a difficult financial situation. Following on from severe spending cuts and increasing demand for services that put pressure on spend and on income streams. It is positive to note the Council has managed to remain within its resources for this financial year.

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.

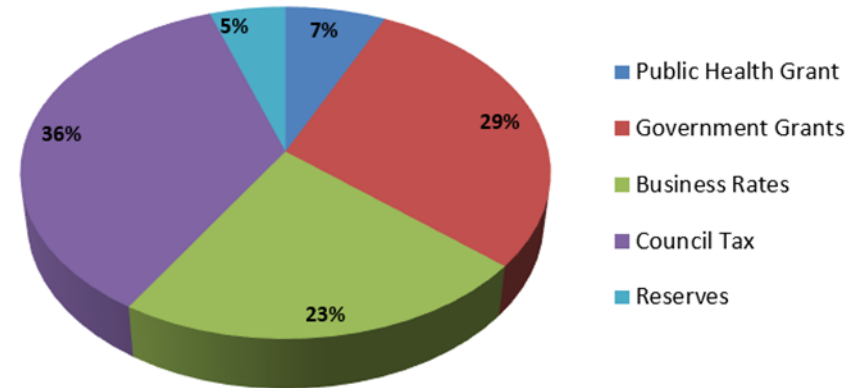
The services above are funded through various resources as demonstrated below.

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

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



2025/26 Sources of Funding
(General Fund)

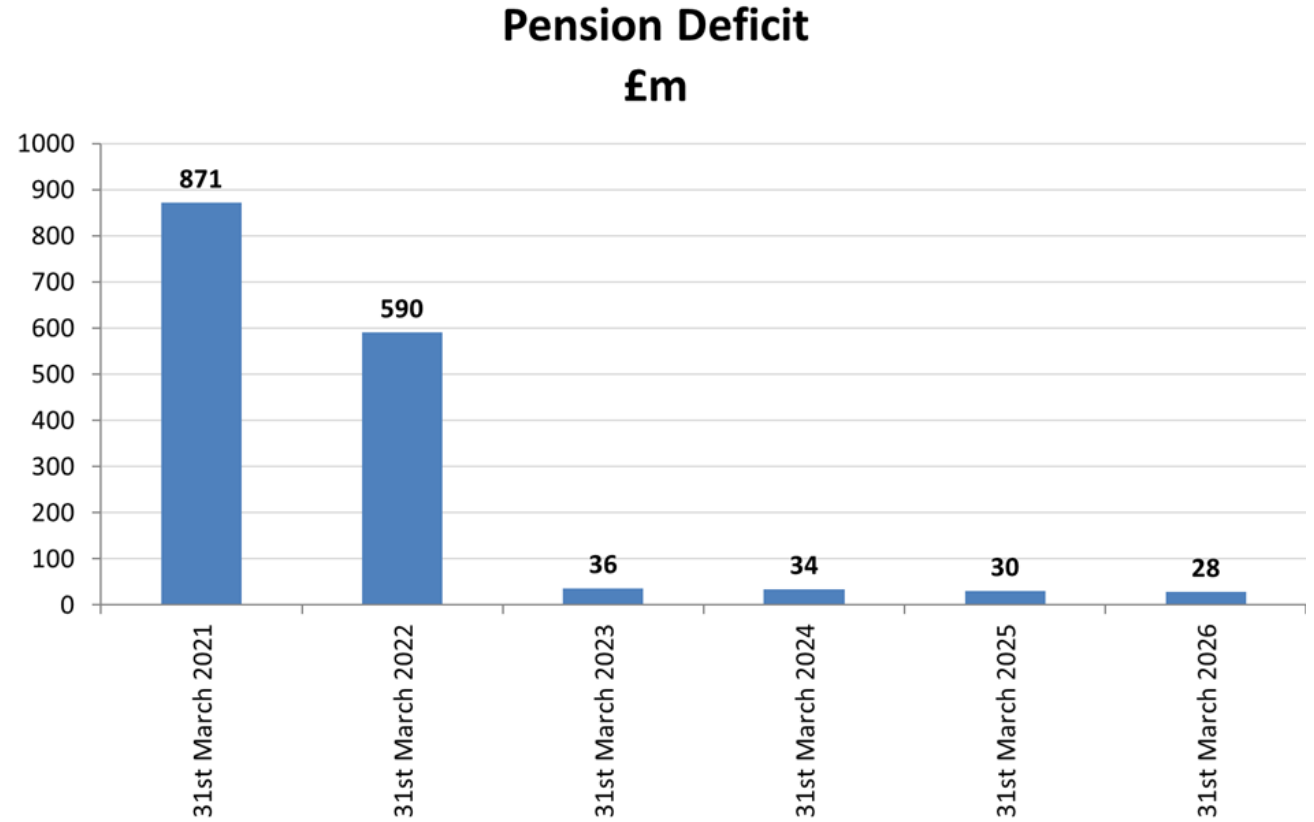


Narrative Statement

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.

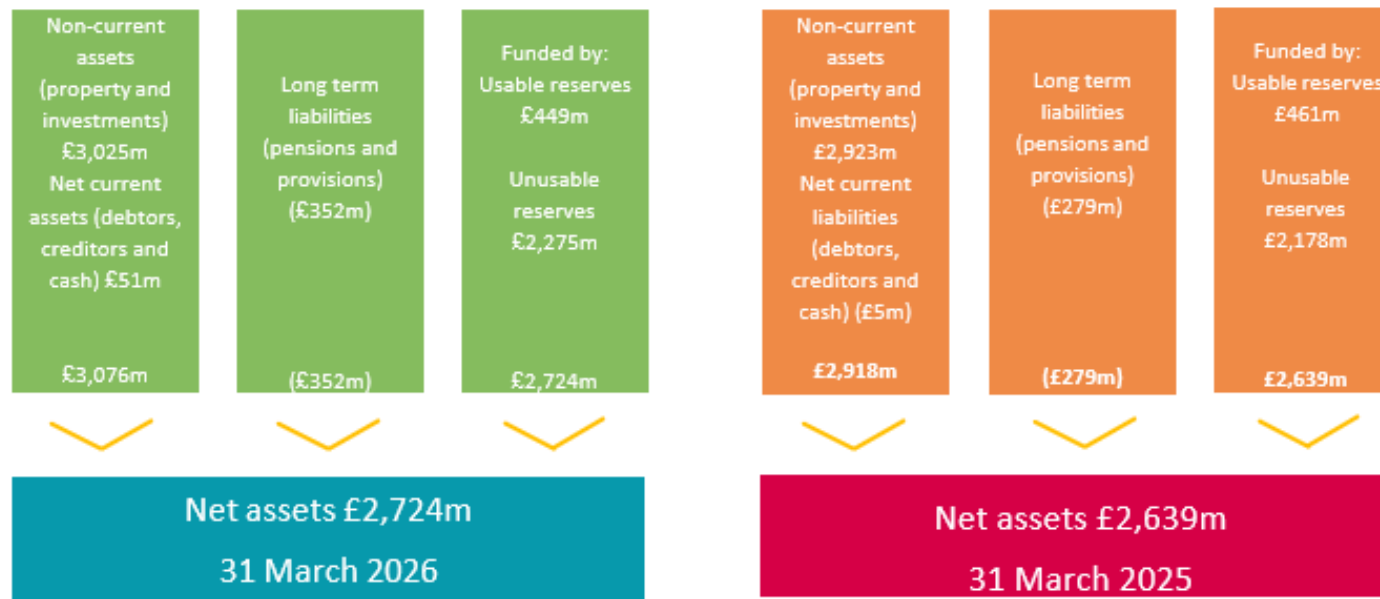
Variations between the years will occur, principally due to changes in assumptions made by the scheme actuaries about the growth of future liabilities and rates of returns on the fund's investments. The graph to the right illustrates the volatility that can occur on a year-by-year basis because of these 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).



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:

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:

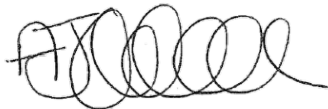
- Selected suitable accounting policies and applied them consistently;
- Made judgements and estimates that were reasonable and prudent;
- Complied with the local authority Code.

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

Comprehensive Income and Expenditure Statement (continued)

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)

Balance Sheet

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

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

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

31st March 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

Balance Sheet (continued)

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.

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.

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					
	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 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.

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:

	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)

	31st March 2025		31st March 2026		
	Fair Value	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Level	£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

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.

	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.

	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

	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)

	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

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.

	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 quantify 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.

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).

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.

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

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	FUND BALANCE AS AT 31st MARCH - (Surplus)/Deficit	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.

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	2025/26
	£000	£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

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	31st March
	2025	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.

Collection Fund Explanatory Notes (continued)

6. Contributions to Collection Fund Surpluses & Deficits

Share of Surpluses/Deficits

Council Tax

Every January, the Authority has to estimate the surplus/deficit for the collection fund at the end of the financial year.

For the Council Tax, this has to be notified to the police commissioner and the fire authority, which are entitled to receive a share of any surplus (or contribute a share towards a deficit) made in respect of Council Tax. This is detailed in the table below.

	City	Police	Fire	Total
	£000	£000	£000	£000
Estimated Deficit - Jan 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>

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>

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

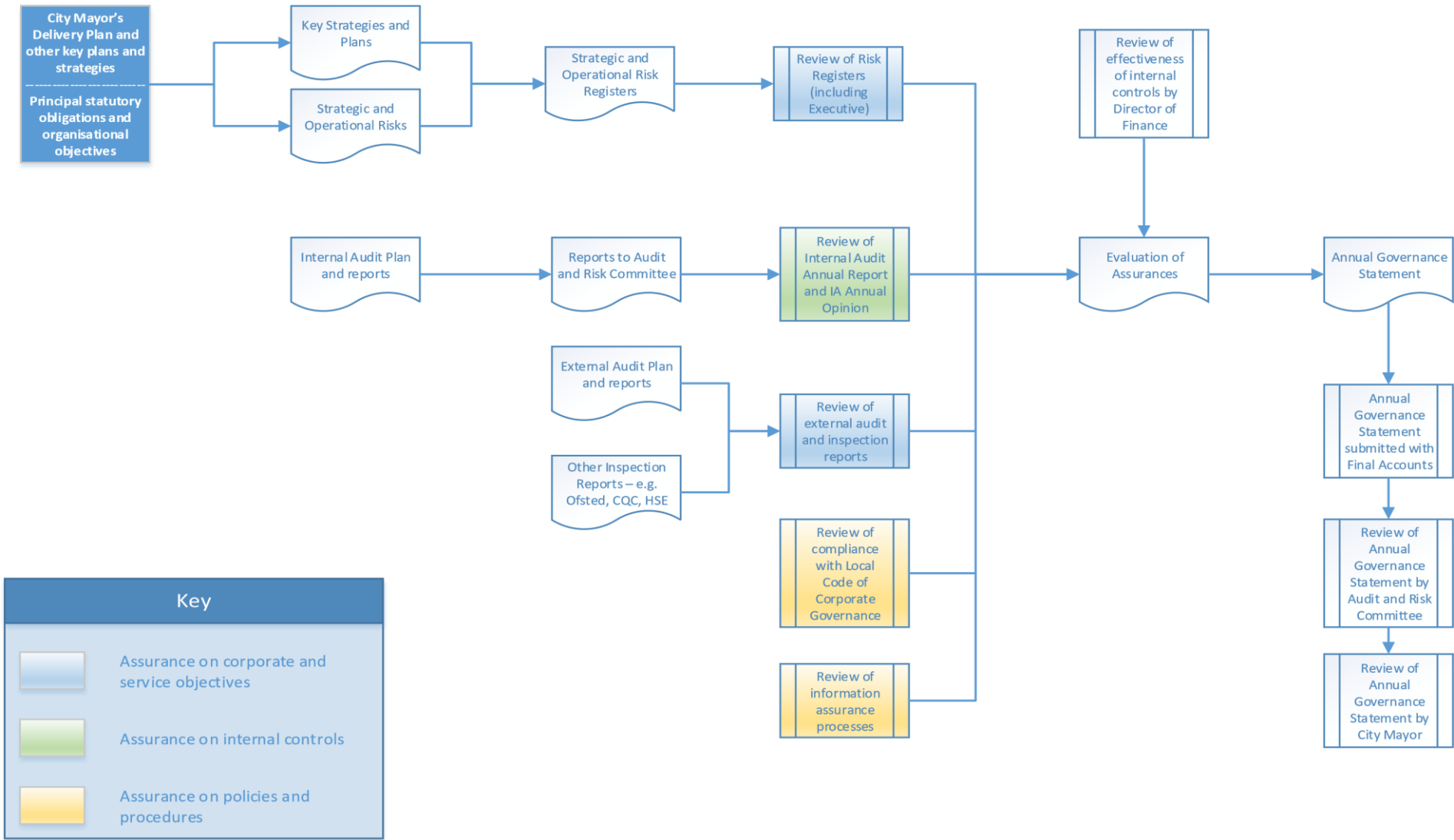
Scrutiny and review

- 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.



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
The leadership team is able to demonstrate that the services provided by the authority provide value for money	<p>Annually this is supported by the external audit value for money opinion.</p> <p>Ensuring value for money is also the role of the section 151 officer and this is evidenced in the Annual Governance Statement, under the summary of the Council's governance arrangements.</p>
The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	<p>The Director of Finance (section 151 officer) is professionally qualified and has suitable experience. The Director of Finance is a key member of the leadership team and is actively involved in all material business decisions, ensuring they are in line with the Council's financial strategy.</p> <p>She safeguards public money through good financial management and leads a finance team that is resourced and fit for purpose. Annually this is supported by the value for money opinion and the audited statement of accounts.</p>
The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.	<p>The Annual Governance Statement supports the leadership team meeting these requirements. The Statement includes:</p>
The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	<ul style="list-style-type: none"> • How governance and internal control are supported by scrutiny and review, in particular through the Governance & Audit Committee (previously Audit and Risk Committee). • A statement from the Council that it complies with the CIPFA/SOLACE Delivering Good Governance Framework (2016).

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.	
The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	<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 has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	<p>The Council consults statutory consultees.</p>

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.

Glossary

Glossary

This Glossary explains terms that may be encountered in discussion of Local Government finance. Definitions are intended to assist a general audience, rather than reflecting exactly the technical sense in which the terms are used.

Academies

Publicly funded schools, independent of Local Authority control, held accountable directly to the Government.

Accountable Body

An accountable body is an organisation which takes financial responsibility for the management of funds which comprise of contributions from multiple organisations; the fund itself is not a legal entity.

Accounting Policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in the financial statements through recognising, selecting measurement bases for, and presenting assets, liabilities, gains, losses and changes in reserves. Accounting policies do not include estimation techniques.

Accruals

The concept that items of income and expenditure are recognised as they are earned or incurred, not as money is received or paid.

Actuarial Basis

The estimation technique applied when estimating the liabilities to be recognised for defined benefit pension schemes in the financial statements of an organisation.

Agent

Is where the authority is acting as an intermediary.

Amortisation

The reduction in an amount carried on the Balance Sheet by the regular debiting or crediting to an Income and Expenditure Account.

Appropriation

The process of transferring balances from revenue to reserves and vice versa.

Asset

A resource controlled by the authority, as a result of past events and from which future economic benefits are expected to flow to the authority.

Assets Held for Sale

These are assets which are very likely to be sold within 12 months of the balance sheet date. They are therefore classified as Current Assets.

Balance Sheet

The Balance Sheet shows the assets and liabilities of the Authority.

Bonds

Investment in certificates of debts issued by a Government or company. These certificates represent loans which are repayable at a future date with interest.

Budget

The financial plan reflecting the Council's policies and priorities over a period of time.

Capital Expenditure

Expenditure on the purchase, construction or enhancement of major items which have a lasting value to the authority.

Capital Financing

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure including borrowing, direct revenue financing, usable capital receipts, capital grants, capital contributions and revenue reserves.

Glossary (continued)

Capital Financing Requirement

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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