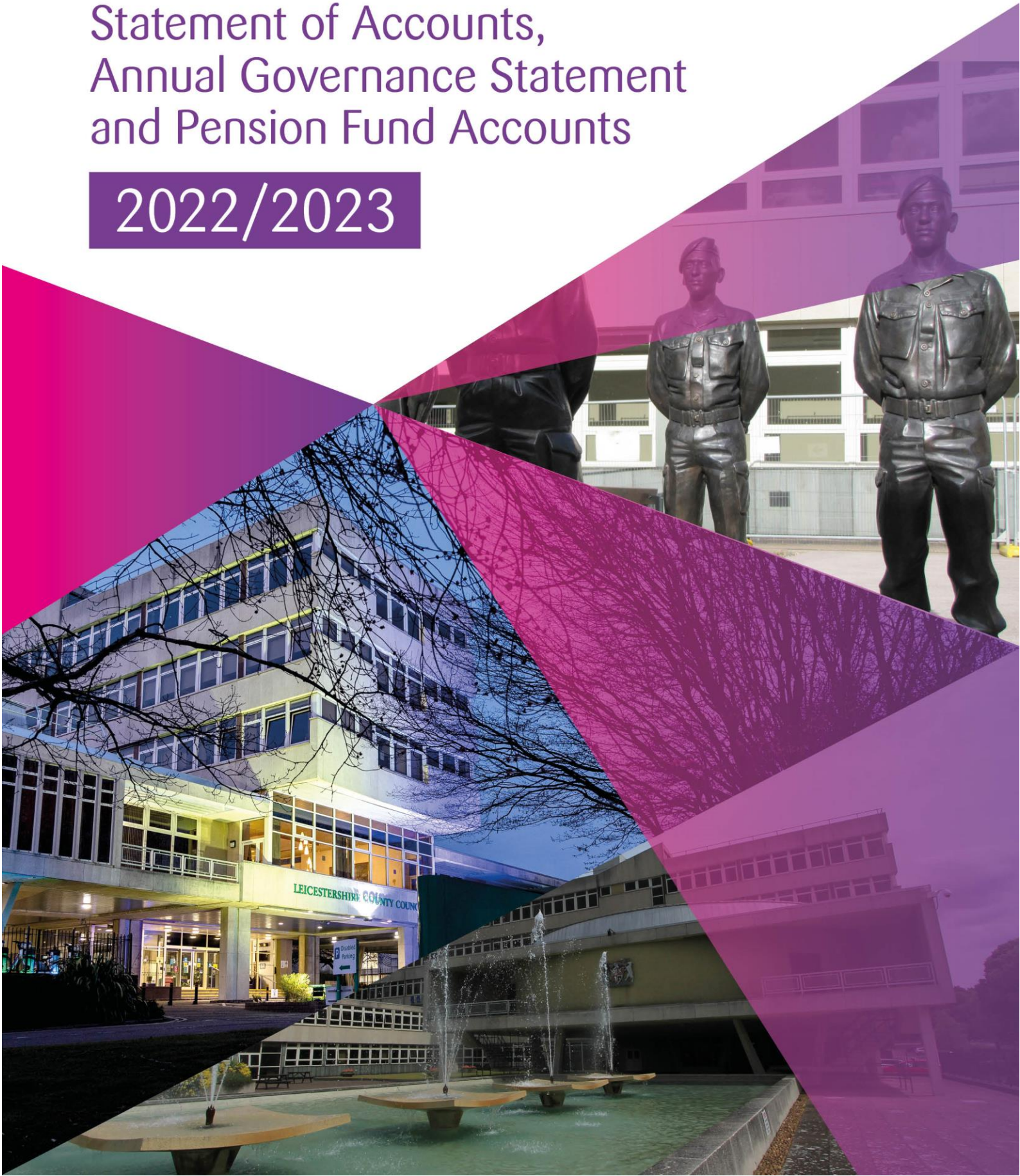


# Statement of Accounts, Annual Governance Statement and Pension Fund Accounts

2022/2023



# **Leicestershire County Council, Statement of Accounts, Annual Governance Statement and Pension Fund Accounts 2022/23**

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## Introduction to the Statement of Accounts

### Councillor Preface

The County Council continues to face significant financial challenges as a result of inflationary and service demand pressures. The latest Medium Term Financial Strategy (MTFS), approved in February 2023, sets a balanced budget for 2023/24, but with gaps in funding for the following 3 financial years; £13m in 2024/25 rising to £88m by 2026/27. This position is after identified savings in the MTFS of £37m that need to be delivered. In addition, there are continuing significant pressures on the dedicated schools grant (DSG) with an accumulated deficit of £30m as at 31<sup>st</sup> March 2023 which is forecast to increase to around £80m by 2026/27. To bridge the gap several initiatives are being investigated to generate further savings.



The Council is on track to meet these challenges because of the forward planning and its excellent track record in delivering savings. Credit must be given to our excellent staff, who continue to work under tight budgetary controls yet still deliver high quality services.

With many pressures over the horizon I am confident that the Council is well placed to meet these challenges.

**Mr. L. Breckon**  
*Cabinet Lead Member for Corporate Resources*

### Foreword from the Director of Corporate Resources



The County Council is operating in an extremely challenging financial environment following more than a decade of austerity and spending pressures, particularly from social care and special education needs, and more recently the Covid-19 pandemic and rising inflation. There is also significant uncertainty and risk around future funding levels.

Despite these challenges the 2022/23 revenue and capital outturns were both delivered within budget. During 2022/23 the Council has invested in a number of capital projects, all funded without the need for any new borrowing, including:

- £35m investment in Children and Family Services, including 970 additional school places
- £20m investment in highways maintenance
- £13m on major road improvements in the County

Delivery of the Capital Programme will continue to be challenging, especially given rising inflation and increased demand for new schools and roads. However, with continued hard work and careful planning we expect to continue to deliver value for money capital projects.

I would like to thank all our staff for their work to manage the Council's budget in what has been another incredibly challenging year.

**D Keegan**  
*Director of Corporate Resources*



# Narrative Statement

## 1. Organisational Overview and External Environment

The Council has consolidated its priority outcomes into its Strategic Plan for 2022-26. The Strategic Plan sets out the Council's long-term vision for Leicestershire and its priorities over a four-year period. It is a key strategy which shapes how the Council plans and delivers services.

Leicestershire remains the lowest funded county council in the country with greater risks as a result. The Council's financial position continues to be extremely challenging, with £250m saved since 2010 and a further £150m to save by 2026/27. The position is serious with major implications for the provision of services to the people of Leicestershire. Reductions in government funding, rising demands and rising inflation have made it increasingly difficult to maintain good service delivery levels and target service improvements where required.

The current funding system does not share national resources fairly, and this view is shared by many others in local government. The Council has presented a new simplified funding model to central government based on factors that drive demand for local services. It allocates money in a fair way, based on need, and narrows the gap between the highest and lowest funded councils. A move to a fairer funding model is an urgent requirement to help tackle the Council's financial challenges.

### Leicestershire as a Place

Leicestershire covers an area of 208,000 hectares, with a population of around 713,000 people. The population has grown by 9.5% since the 2011 Census, which is faster than the national and regional growth rates. The County population is predicted to reach 860,000 by 2043, with particular growth among the over 70's. 82% of Leicestershire's area is classified as rural while 70% of the population live in our towns and urban areas.

Out of work benefit claimant rates are consistently below national and regional levels but remain higher than before the COVID-19 pandemic. Manufacturing is the largest industrial sector in the county, accounting for 13% of all employment, followed by Professional, Scientific and Technical (11%) and Transport and Storage (10%). 90% of our residents tell us that they are satisfied with the county as a place to live, significantly higher than the equivalent national figure.

The Council plays an active role in place shaping and responding to local needs such as working with partners to agree a Strategic Planning Framework, working sub-regionally (with Leicester City and the Leicestershire district authorities) and working regionally on economic and transport planning, such as with the Midlands Engine and new Freeport.

### Leicestershire County Council

Leicestershire County Council is an upper tier of local government with 55 councillors who are elected every 4 years. The Council has 6,108 employees (excluding schools) organised into 6 departments:

- Children and Family Services
- Adults and Communities
- Environment and Transport
- Public Health
- Chief Executives
- Corporate Resources

## 2. Governance

The Council's Annual Governance Statement (AGS) summarises the outcome of the Council's review of the Governance Framework that has been in place during 2022/23. The statement demonstrates that the Council has in place effective arrangements, but that it recognises the need to continuously review, adapt and develop its governance arrangements to meet the changing needs of the authority. There were 2 significant governance issues in 2022/23 which are further explained in section 8 of the AGS.

## 3. Risks and Opportunities

A risk management strategy is in place to identify and evaluate risk. The Council's corporate risk register contains the most significant risks which the Council is managing. Separate risk registers are in place for key departmental and service risks. Central government funding reductions and rising demands have seen a higher level of risk needing to be managed and this has been further exacerbated by the COVID-19 crisis and resulting economic impact.

## 4. Strategy & Resource Allocation

The Council has developed five strategic outcomes that are essential for good quality of life in Leicestershire. These set out aspirations for local people and places, describing the results we want

people to see and experience in their daily lives:

- **Clean, green future:** The environment is protected and enhanced, and we tackle climate change, biodiversity loss and unsustainable resource usage.
- **Great Communities:** Leicestershire has thriving, inclusive communities in which people support each other and participate in service design and delivery.
- **Improving Opportunities:** Every child gets the best start for life with access to a good quality education and everyone has the opportunities they need to fulfil their potential.

- **Strong economy, transport and infrastructure:** Leicestershire has a productive, inclusive and sustainable economy and infrastructure which meets the demands of a growing population and economy.
- **Keeping people safe and well:** The people of Leicestershire are safe and protected from harm.

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

## 5. Financial Performance

### Revenue Budget

A summary of the net revenue outturn for 2022/23 is set out below:

2021/22				2022/23		
Budget	Outturn	Variance		Budget	Outturn	Variance
£m	£m	£m		£m	£m	£m
157.7	160.1	2.4	Adults & Communities	186.3	189.5	3.1
12.8	12.9	0.1	Chief Executive's	15.9	15.8	(0.1)
90.5	86.8	(3.7)	Children & Family Services	94.5	97.7	3.1
35.4	36.5	1.1	Corporate Resources	39.5	41.2	1.6
84.7	81.0	(3.7)	Environment & Transport	92.0	90.1	(1.8)
(1.3)	(1.3)	0.0	Public Health	(1.4)	(1.4)	0.0
61.7	65.2	3.5	Central Items and Contingencies	44.9	47.2	2.3
<b>441.5</b>	<b>441.2</b>	<b>(0.3)</b>		<b>471.7</b>	<b>480.0</b>	<b>8.3</b>
			Funded by:			
(69.4)	(72.0)	(2.6)	Business Rates	(74.5)	(89.5)	(15.0)
(329.9)	(334.9)	(5.0)	Council Tax	(355.2)	(355.2)	0.0
0.0	0.0	0.0	Revenue Support Grant	0.0	0.0	0.0
(30.4)	(30.4)	0.0	General Grants	(42.0)	(42.0)	0.0
(11.8)	(11.8)	0.0	Covid-19 General Grants	0.0	0.0	0.0
<b>(441.5)</b>	<b>(449.1)</b>	<b>(7.6)</b>		<b>(471.7)</b>	<b>(486.7)</b>	<b>(15.0)</b>
<b>0.0</b>	<b>(7.9)</b>	<b>(7.9)</b>	<b>NET OUTTURN</b>	<b>0.0</b>	<b>(6.7)</b>	<b>(6.7)</b>

The 2022/23 net outturn was a net underspend of £6.7m, which has been set aside in earmarked reserves to provide funding for additional commitments. The financial year saw significant additional inflationary pressures and also increasing demand pressures on children's and adult social care services. The additional business rates income includes £13m arising from a change in the allocation basis of the Business Rates Pool levies during 2022/23. An equivalent amount was included under Central Items setting aside the funds in the Capital Financing earmarked reserve for future capital schemes, this was partially offset in the Central items line by £7m of additional interest on balances, relating to higher base rates.

The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. The 2023-27 MTFS includes a savings requirement of £150m, including High Needs DSG savings.

## Capital Budget

A summary of the capital outturn for 2022/23 is set out below:

2021/22			Capital	2022/23		
Budget	Outturn	Variance		Budget	Outturn	Variance
£m	£m	£m		£m	£m	£m
5.2	5.0	(0.2)	Adults & Communities	5.4	4.8	(0.6)
2.3	1.3	(1.0)	Chief Executive's	1.0	0	(1.0)
38.8	26.6	(12.2)	Children & Family Services	47.7	34.7	(13.0)
2.5	1.2	(1.3)	Corporate Programme	15.0	9.3	(5.7)
8.6	7.0	(1.6)	Corporate Resources	6.1	3.7	(2.3)
61.4	41.1	(20.3)	Environment & Transport	49.5	41.9	(7.6)
0.0	0.0	0.0	Public Health	0.0	0.0	0.0
<b>118.8</b>	<b>82.2</b>	<b>(36.6)</b>		<b>124.7</b>	<b>94.4</b>	<b>(30.3)</b>

Overall there has been a net underspend of £30.3m compared with the updated budget. The net underspend has been carried forward to the 2023-27 capital programme to fund delayed projects.

Further detail of the budget outturn variances for revenue and capital can be found in the Cabinet report dated 26 May 2023 available on the County Council's Website.

## 6. Operational Performance

The Council maintains a strong focus on performance management through its corporate performance management, commissioning and benchmarking arrangements. Performance management is well embedded through regular performance reporting across organisational governance arrangements.

The Council regularly monitors its performance position and areas for improvement through service benchmarking. Looking at published data for 2021/22, the Council's overall performance position was 5th of 32 two-tier county and county unitary areas, using a basket of over 240 performance indicators spanning Council and partnership activity.

In a separate exercise, iMPower Consulting has in the past analysed the productivity of English local authorities using published data, taking performance metrics and calculating overall outputs per pound invested. The Council was ranked top performer for the last 3 published years – reflecting the Council's good overall performance and also the fact Leicestershire is the lowest funded county and has to maintain rigorous cost and efficiency controls.

The Council's strategic outcomes set out our aspirations for our people and places. The following chart sets out our progress towards the outcomes from the Council Strategic Plan 2022-26. Where it is available, the chart indicates which comparative quartile Leicestershire's performance falls into based upon the latest published national data, which in most cases is for the previous year.

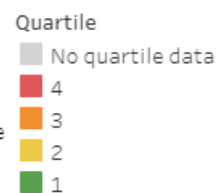
The 1st quartile is defined as performance that falls within the top 25% of relevant comparators. The 4th quartile is defined as performance that falls within the bottom 25% of relevant comparators.

Where it is available, the chart also indicates whether performance has improved, is similar to, or has declined compared over the past year.

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

## Strategic Plan Outcomes (May 2023)

This summarises performance against the Council Strategic Plan 2022-26. Colours represent performance quartiles in relation to comparator local authorities, where available. The 1st quartile (green) represents performance within the top 25% of comparators. Direction of travel shows latest performance with previous year.



Outcome	Supporting Outcome		Improve	Similar	Decline
Clean and Green	Local environment protected	3	1		
	Low carbon economy	1 1 1 8	6		3
	People tackle climate change	1 2 4	2	3	1
	Resources used sustainably	2 1	2	1	
Great Communities	Communities are resilient	3	2	1	
	Diversity is celebrated	1 3		3	1
	People help design services	2 1 3	1	3	2
	People volunteer	1 3	2		2
Improved Opportunities	Access to quality education	11 6 5 2	11	4	6
	Every child gets best start in life	1 3 5 1 1	5	1	4
	Families are self-sufficient	1 3		1	
	People reach their potential	7 4 3	6	3	4
Safe & Well	Long lives in good health	11 3 5 3 2	2	10	5
	People are safe in their daily lives	2 4 1 5	3	1	6
	People at risk are protected	1 3 2 2 2	3	2	4
	People with care needs supported	1 1 7 4 9	3	8	10
Strong Economy	Businesses invest and flourish	1 3 1 1	2	2	1
	Increased prosperity for all	4 3 1 3	3	4	4
	Infrastructure for growth	4 3 1 1	4	2	3
	Skill supply and demand	3 3 1 3	4	1	3

Where it is available, the chart indicates the number of indicators within each outcome and the quartile in which Leicestershire's performance falls into for each indicator. The 1st quartile is defined as performance that falls within the top 25% of relevant comparators. Where it is available, the chart also indicates whether performance has improved, is similar to, or has declined compared to the last relevant data point.

## 7. Medium Term Financial Strategy

### Medium Term Financial Strategy (MTFS)

The County Council continues to operate in an extremely challenging financial environment following more than a decade of austerity and spending pressures, particularly from social care and special education needs and disabilities (SEND). These are challenges being faced by all 150 upper tier authorities. These pressures continue to increase. There is also additional financial strain arising from significant increases in inflation affecting all service areas..

The Authority's latest 4 year Medium Term Financial Strategy (MTFS) agreed in February 2023 is based on a council tax increase of 4.99% for 2023/24, followed by annual increases of 1.99% in the following years. Delivery of the MTFS requires savings of £125m to be made between 2023 and 2027. The MTFS sets out in detail £37m of savings and proposed reviews that will identify further savings to offset the forecast £88m funding gap by 2026/27.

A further £25m of savings will be required over the MTFS period to ensure that High Needs funding can be contained within the annual government grant. This is in addition to a forecast dedicated schools grant deficit of £81m by 2026/27.

Strong financial control, plans and discipline will be essential in the delivery of the MTFS.

There is little doubt that the Authority faces the most uncertain and risky financial environment for a generation. The MTFS is reviewed annually in the autumn to reflect the latest view on available resources. The current MTFS is available on the Authority's website - [leicestershire.gov.uk/mtfs](https://leicestershire.gov.uk/mtfs)

## 8. Current Borrowing / Investments

The capital financing requirement (CFR) shown in note 39 to the financial statements measures the Authority's need to borrow for capital purposes. The total of non-current assets as at 31 March 2023 was £1.0bn (as at 31 March 2022 £1.0bn). The CFR was £208m as at 31 March 2023 (£214m as at 31 March 2022) and actual debt was £262m as at 31 March 2023 (£263m as at 31 March 2022). The difference between the CFR and the actual debt is a temporary overborrowed position, pending the repayment of debt. During 2022/23 no new external loans were raised (£0m 2021/22). Details of the loans held by the Authority are shown in note 44 to the financial statements. The level of capital borrowing is within the Authority's 2022/23 Prudential Indicators that inform the Authority whether its capital investment plans are affordable, prudent and sustainable.

Investments held by the Authority total £450m as at 31 March 2023 (£352m 31 March 2022). Investments are made in accordance with the Annual Investment Strategy that ensures that deposits are only made with financial institutions that meet certain minimum credit criteria as laid down by the Authority's Treasury Management advisors.

## 9. Basis of Preparation and Contents of the Statement of Accounts

The Statement of Accounts which follows sets out the Authority's income and expenditure for the year, and its financial positions as at 31 March 2023. It comprises primary statements, together with disclosure notes. The format and content of the financial statements is prescribed by the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, which in turn is underpinned by International Financial Reporting Standards adapted for use in a public sector context. The Statement of Accounts consists of:

### a. Movement in Reserves Statement:

This financial statement shows the movement during the year on the different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and 'unusable' reserves. This statement shows how the movements in year of the Authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/ decrease line shows the statutory general fund balance movements in the year following those adjustments.

### b. Comprehensive Income and Expenditure Statement (CIES):

This financial statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. The Authority raises taxation to cover expenditure in accordance with statutory regulations which may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis note to the accounts, and the Movement in Reserves Statement. The CIES has two sections:

- Surplus or Deficit on the Provision of Services – the increase or decrease in the net worth of the Authority as a result of incurring expenses and generating income.
- Other Comprehensive Income and Expenditure – shows any changes in net worth which have not been reflected in the Surplus or Deficit on the Provision of Services. These include the change in the net worth of the Authority as a result of movements in the fair value of its assets and actuarial gains or losses on pension assets and liabilities.

### c. Balance Sheet:

The Balance Sheet shows the value as of 31<sup>st</sup> March 2023 of the assets and liabilities recognised by the Authority. It incorporates all the funds of the Authority, both capital and revenue, with the exception of the Pension Fund and Trust funds.

The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and



any statutory limitations on their use (for example the Capital Receipts Reserve may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains or losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statements line 'Adjustments between accounting basis and funding basis under regulations'.

**d. Cash Flow Statement:**

The Cash Flow Statement shows the changes in Cash and Cash Equivalents of the Authority during the reporting period. This financial statement shows how the Authority generates and uses Cash and Cash Equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from recipients of services provided by the Authority. Investing activities represent the extent to which cash flows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

**e. Disclosure Notes:**

Provides more detail about individual transactions and balances. The supplementary Financial Statements are; The Annual Governance Statement, and the Pension Fund Account.

**f. Pension Fund:**

The Pension Fund statement of account details the annual results of the Leicestershire Authority administered Local Government Pension Fund, covering both Authority employees and those of other admitted bodies.

## **10. Date of Authorisation of Accounts**

The accounts were authorised for issue by the Director of Corporate Resources on the 24 May 2024. This was the last date when events after the Balance Sheet date have been considered.



**D KEEGAN**  
**DIRECTOR OF CORPORATE RESOURCES**  
**24 MAY 2024**

## Movement In Reserves Statement

	General Fund Balance	Earmarked Reserves Balance	Total General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Authority Reserves	No te
	£m	£m	£m	£m	£m	£m	£m	£m	
<b>Movement In Reserves During 2022/23</b>									
<b>Balance at 31 March 2022 Brought Forward</b>	<b>29.3</b>	<b>224.5</b>	<b>253.8</b>	<b>0.2</b>	<b>0.7</b>	<b>254.6</b>	<b>189.8</b>	<b>444.4</b>	
Total Comprehensive Income and Expenditure	(54.9)	0.0	<b>(54.9)</b>	0.0	0.0	<b>(54.9)</b>	599.4	<b>544.6</b>	
Adjustments between accounting basis & funding basis under regulation	53.7	(2.2)	<b>51.5</b>	0.0	4.2	<b>55.7</b>	(55.7)	<b>0.0</b>	9
<b>Increase/ (Decrease) in Year</b>	<b>(1.2)</b>	<b>(2.2)</b>	<b>(3.4)</b>	<b>0.0</b>	<b>4.2</b>	<b>0.9</b>	<b>543.7</b>	<b>544.6</b>	
<b>Balance at 31 March 2023 Carried Forward</b>	<b>28.1</b>	<b>222.3</b>	<b>250.4</b>	<b>0.2</b>	<b>4.9</b>	<b>255.5</b>	<b>733.5</b>	<b>989.0</b>	

### Movement In Reserves During 2021/22 (Restated)

<b>Balance at 31 March 2021 Brought Forward</b>	<b>26.7</b>	<b>175.0</b>	<b>201.7</b>	<b>0.1</b>	<b>1.5</b>	<b>203.3</b>	<b>(77.9)</b>	<b>125.4</b>	
Prior period adjustment	0.0	0.0	0.0	0.0	0.0	0.0	(36.8)	(36.8)	
<b>Restated Balance 1 April 2021</b>	<b>26.7</b>	<b>175.0</b>	<b>201.7</b>	<b>0.1</b>	<b>1.5</b>	<b>203.3</b>	<b>(114.7)</b>	<b>88.6</b>	
Total Comprehensive Income and Expenditure	20.1	0.0	<b>20.1</b>	0.0	0.0	<b>20.1</b>	335.6	<b>355.7</b>	
Adjustments between accounting basis & funding basis under regulation	(17.6)	49.5	<b>31.9</b>	0.1	(0.8)	<b>31.2</b>	(31.2)	<b>0.0</b>	9
<b>Increase/ (Decrease) in Year</b>	<b>2.6</b>	<b>49.5</b>	<b>52.1</b>	<b>0.1</b>	<b>(0.8)</b>	<b>51.3</b>	<b>304.4</b>	<b>355.7</b>	
<b>Balance at 31 March 2022 Carried Forward</b>	<b>29.3</b>	<b>224.5</b>	<b>253.8</b>	<b>0.2</b>	<b>0.7</b>	<b>254.6</b>	<b>189.8</b>	<b>444.4</b>	

# Comprehensive Income and Expenditure Statement

2021/22 (restated)			Note	2022/23		
Gross Expenditure	Gross Income	Net Expenditure		Gross Expenditure	Gross Income	Net Expenditure
£m	£m	£m		£m	£m	£m
			<b>CONTINUING SERVICES</b>			
299.7	(149.5)	150.2	Adults and Communities	309.7	(125.3)	184.5
22.9	(6.7)	16.2	Chief Executive's	27.3	(8.5)	18.7
370.0	(231.4)	138.6	Department and Family Services	402.8	(272.6)	130.3
102.0	(46.9)	55.1	Departmental sources	109.6	(44.5)	65.1
127.2	(23.7)	103.5	Environment and Transport	144.5	(25.7)	118.8
39.0	(47.0)	(8.0)	Public Health	36.3	(35.8)	0.5
0.3	(3.4)	(3.1)	Central Items	0.0	(3.8)	(3.8)
<b>961.1</b>	<b>(508.7)</b>	<b>452.4</b>	<b>NET COST OF SERVICES</b>	<b>1,030.2</b>	<b>(516.1)</b>	<b>514.1</b>
0.3	(0.5)	(0.2)	Other Operating Expenditure (Excluding transfer of Academies)	0.3	(0.3)	0.0
3.5	0.0	3.5	Other Operating Expenditure (Transfer of Academies)	26.7	0.0	26.7
62.2	(37.4)	24.8	Financing and Investment Income and Expenditure	80.9	(57.2)	23.7
0.0	(500.6)	(500.6)	Taxation and Non-specific Grant Income	0.0	(509.7)	(509.7)
	<b>(20.1)</b>		<b>(SURPLUS) / DEFICIT ON PROVISION OF SERVICES</b>			<b>54.9</b>
			<b>Items that will not be reclassified to the (surplus) or deficit on the provision of services:</b>			
(23.2)			Surplus on Revaluation of Property, Plant and Equipment	(note 16)		(19.6)
(312.5)			Remeasurement of the Net Defined Benefit Liability/(Asset)	(note 15)		(579.8)
<b>(335.7)</b>			<b>Total Items that Will Not Be Reclassified to the (Surplus) or Deficit on the Provision of Services</b>			<b>(599.4)</b>
<b>(355.8)</b>			<b>TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE</b>			<b>(544.6)</b>

## Primary Statements

### Balance Sheet

Restated 1 April 2021 £m	31 March 2022 £m		Note	31 March 2023 £m
405.9	406.3	Land and Buildings	16	404.1
9.9	13.8	Vehicles, Plant, Furniture & Equipment	16	13.9
428.1	439.5	Infrastructure Assets	17	446.1
11.3	11.3	Community Assets	16	11.3
65.1	70.0	Assets Under Construction	16	58.3
0.9	2.9	Surplus Assets	16	3.4
<b>921.2</b>	<b>943.8</b>	<b>Total Property, Plant and Equipment</b>		<b>937.1</b>
1.7	1.8	Investment Property	19	1.6
4.7	4.7	Heritage Assets	18	4.7
3.9	2.8	Intangible Assets	16	1.9
50.9	61.7	Long Term Investments	20	85.4
28.7	27.1	Long Term Debtors	22	26.3
<b>1,011.1</b>	<b>1,041.9</b>	<b>TOTAL NON-CURRENT ASSETS</b>		<b>1,057.0</b>
0.2	10.2	Assets Held for Sale	16	11.2
1.3	1.8	Inventories	21	1.8
139.7	126.1	Short Term Debtors	23	123.1
98.4	112.8	Cash and Cash Equivalents	24	71.1
210.2	290.5	Short Term Investments	20	364.8
<b>449.8</b>	<b>541.4</b>	<b>TOTAL CURRENT ASSETS</b>		<b>572.0</b>
(3.7)	(3.7)	Short Term Borrowing	20	(3.7)
(195.9)	(191.8)	Short Term Creditors	26	(188.4)
(12.5)	(8.5)	Short Term Capital Grants Receipts in Advance	36	(59.3)
(0.1)	(0.1)	Short Term Finance Lease Liabilities	40	(0.1)
(3.4)	(5.8)	Short Term Provisions	27	(6.8)
<b>(215.6)</b>	<b>(209.9)</b>	<b>TOTAL CURRENT LIABILITIES</b>		<b>(258.3)</b>
(265.3)	(264.8)	Long Term Borrowing	20	(264.3)
(1.0)	(1.0)	Long Term Finance Lease Liabilities	40	(0.9)
(7.2)	(7.0)	Long Term Creditors	25	(6.2)
(3.3)	(1.8)	Long Term Provisions	27	(1.7)
(835.6)	(576.4)	Net Pensions Liability	10	(34.6)
(44.3)	(78.0)	Long Term Capital Grants Receipts in Advance	36	(74.0)
<b>(1,156.7)</b>	<b>(929.0)</b>	<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>(381.7)</b>
<b>88.6</b>	<b>444.4</b>	<b>NET ASSETS / (LIABILITIES)</b>		<b>989.0</b>
26.7	29.3	General Fund	11A	28.1
175.0	224.5	Earmarked Revenue Reserves	11	222.3
0.1	0.2	Capital Receipts Reserve		0.2
1.5	0.7	Capital Grants Unapplied		4.9
<b>203.3</b>	<b>254.7</b>	<b>TOTAL USABLE RESERVES</b>		<b>255.5</b>
192.4	202.5	Revaluation Reserve	10	215.0
558.5	600.5	Capital Adjustment Account	10	589.1
(4.2)	(4.0)	Financial Instruments Adjustment Account	10	(3.7)
(835.6)	(576.4)	Pension Reserve	10	(34.6)
(8.0)	(1.1)	Collection Fund Adjustment Account	10	1.8
(6.7)	(7.5)	Accumulated Absences Adjustment Account	10	(6.2)
0.0	0.0	Pooled Investment Funds Adjustment Account	10	2.2
(11.1)	(24.3)	Dedicated Schools Grant Adjustment Account	10	(30.2)
<b>(114.7)</b>	<b>189.7</b>	<b>TOTAL UNUSABLE RESERVES</b>		<b>733.5</b>
<b>88.6</b>	<b>444.4</b>	<b>TOTAL RESERVES</b>		<b>989.0</b>



## Cash Flow Statement

2021/22 (restated) £m		Note	2022/23 £m
(20.1)	Net (surplus) or deficit on the provision of services	1	54.9
(136.7)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(155.0)
55.3	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	31.8
(101.5)	Net cash flows from Operating Activities		(68.3)
86.6	Net cash flows from Investing Activities	29	109.5
0.5	Net cash flows from Financing Activities	30	0.5
<b>(14.4)</b>	<b>Net (Increase)/Decrease in Cash and Cash Equivalents</b>		<b>41.7</b>
<b>(98.4)</b>	<b>Cash and Cash Equivalents at the Beginning of the Reporting Period</b>	24	<b>(112.8)</b>
<b>(112.8)</b>	<b>Cash and Cash Equivalents at the End of the Reporting Period</b>	24	<b>(71.1)</b>

The notes to the financial statements are detailed on pages 13 – 80.

## Notes to the Accounts

### Note 1: Expenditure and Funding Analysis

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

#### Expenditure and Funding Analysis Statement 2022/23

Service Segment	As Reported to the Cabinet May 2023 £m	Adjustments to arrive at the net amount funded from General Fund <sup>1</sup> £m	Net Expenditure Chargeable to the General Fund £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m
Adults and Communities Department	189.5	(9.3)	180.2	4.3	184.5
Chief Executive's Department	15.8	1.5	17.3	1.4	18.7
Children and Family Services Department	97.7	6.6	104.3	25.9	130.3
Corporate Resources Department	41.2	3.0	44.2	20.9	65.1
Environment and Transport Department	90.1	5.5	95.6	23.2	118.8
Public Health Department	(1.4)	1.3	(0.1)	0.6	0.5
Central Items	47.1	(22.6)	24.5	(28.2)	(3.8)
<b>Net Cost of Services</b>	<b>480.0</b>	<b>(14.0)</b>	<b>466.0</b>	<b>48.1</b>	<b>514.1</b>
Other Income and Expenditure	(486.7)	24.0	(462.7)	3.4	(459.3)
<b>(Surplus) or Deficit</b>	<b>(6.7)</b>	<b>10.1</b>	<b>3.4</b>	<b>51.5</b>	<b>54.9</b>
Opening General Fund Balance					(253.8)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					3.4
<b>Closing General Fund Balance</b>					<b>(250.4)</b>

<sup>1</sup> Due to differences in the Cabinet report compared with the requirements for the CIES. For example; capital financing costs are reported to the Cabinet as part of Central Items but are shown within Other Income and Expenditure for the CIES, and also movements to reserves made in the accounts after the Cabinet report (use of the surplus to earmarked reserves).

#### Expenditure and Funding Analysis Statement 2021/22 (restated)

Service Segment	As Reported to the Cabinet May 2022 £m	Adjustments to arrive at the net amount funded from General Fund £m	Net Expenditure Chargeable to the General Fund £m	Adjustments between Funding and Accounting Basis £m	Net Expenditure in the CIES £m
Adults and Communities Department	160.1	(18.6)	141.5	8.7	150.2
Chief Executive's Department	12.9	(0.1)	12.8	3.4	16.2
Children and Family Services Department	86.8	1.0	87.8	50.8	138.6
Corporate Resources Department	36.5	0.6	37.1	18.0	55.1
Environment and Transport Department	81.0	0.0	81.0	22.4	103.4
Public Health Department	(1.3)	(7.7)	(9.0)	1.0	(8.0)
Central Items	34.8	(15.1)	19.7	(22.8)	(3.1)
<b>Net Cost of Services</b>	<b>410.8</b>	<b>(39.9)</b>	<b>370.9</b>	<b>81.5</b>	<b>452.4</b>
Other Income and Expenditure	(418.7)	(4.3)	(423.0)	(49.5)	(472.5)
<b>(Surplus) or Deficit</b>	<b>(7.9)</b>	<b>(44.2)</b>	<b>(52.1)</b>	<b>31.9</b>	<b>(20.1)</b>
Opening General Fund Balance					(201.7)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					(52.1)
<b>Closing General Fund Balance</b>					<b>(253.8)</b>

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

This note provides reconciliation for the main adjustments to Net Expenditure chargeable to the General Fund to arrive at the amounts in the CIES. The relevant transfers between reserves are explained in the Movement in Reserves Statement (MIRS).

### Adjustments Between Funding and Accounting Basis 2022/23

Adjustments from the GCF to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
<b>Service Segment</b>				
Adults & Communities Department	1.6	3.1	(0.4)	4.3
Chief Executive's Department	0.1	1.5	(0.1)	1.4
Children and Family Services Department	11.9	8.1	6.0	25.9
Corporate Resource Department	15.8	5.6	(0.5)	20.9
Environment & Transport Department	20.2	3.3	(0.3)	23.2
Public Health Department	0.0	0.7	0.0	0.6
Central Items	(28.2)	(0.1)	0.0	(28.2)
<b>Net Cost of Services</b>	<b>21.3</b>	<b>22.2</b>	<b>4.6</b>	<b>48.1</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	(10.3)	15.9	(2.2)	3.4
<b>Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services</b>	<b>11.1</b>	<b>38.0</b>	<b>2.4</b>	<b>51.5</b>

### Adjustments Between Funding and Accounting Basis 2021/22 – (restated)

Adjustments from the GCF to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
<b>Service Segment</b>				
Adults & Communities Department	2.2	6.5	0.0	8.7
Chief Executive's Department	1.3	2.1	0.0	3.4
Children and Family Services Department	23.8	13.2	13.9	50.8
Corporate Resource Department	9.9	8.1	0.0	18.0
Environment & Transport Department	17.0	5.4	0.0	22.4
Public Health Department	0.0	0.9	0.0	0.9
Central Items	(22.8)	0.0	0.0	(22.8)
<b>Net Cost of Services</b>	<b>31.3</b>	<b>36.2</b>	<b>13.9</b>	<b>81.5</b>
<b>Other Income and Expenditure from the Expenditure and Funding Analysis</b>	(67.5)	17.1	0.9	(49.5)
<b>Difference between the GCF surplus or deficit and the CIES surplus or deficit on provision of services</b>	<b>(36.2)</b>	<b>53.3</b>	<b>14.9</b>	<b>31.9</b>

## 1) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

**Other operating expenditure** – The adjustments for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

**Financing and investment income and expenditure** – The statutory charges for capital financing i.e. Minimum Revenue Provision (MRP) and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

**Taxation and non-specific grant income and expenditure** – Where capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

## 2) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

**For services** - This represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.

**For financing and investment income and expenditure** - This represents the net interest on the defined benefit liability is charged to the CIES.

## 3) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

**For Financing and investment income and expenditure** - The other differences column recognises adjustments to the General Fund for the timing differences for premiums and discounts.

**The charge under taxation and non-specific grant income and expenditure** – This represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code.

Income received by the Authority is analysed on a segmental basis as follows:

2021/22 Income from Services £m	Service Segment	2022/23 Income from Services £m
(149.5)	Adults and Communities Department	(125.3)
(6.8)	Chief Executive's Department	(8.5)
(231.4)	Children and Family Services Department	(272.6)
(46.9)	Corporate Resources Department	(44.5)
(23.7)	Environment and Transport Department	(25.7)
(47.0)	Public Health Department	(35.8)
(3.4)	Central items	(3.8)
<b>(508.7)</b>	<b>Total Income Analysed on a Segmental Basis</b>	<b>(516.1)</b>



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

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

Restated <sup>1</sup> 2021/22 £m		2022/23 £m
	<b>Expenditure</b>	
322.1	Employee Benefits Expenses	338.4
54.8	IAS 19 and Other Pension Cost Adjustments	39.5
547.8	Other Service Expenses	619.4
50.5	Depreciation, amortisation and impairment	52.1
14.2	Interest Payments	14.3
0.3	Precepts and Levies	0.3
3.0	Loss on Disposal of Non-Current Assets	26.4
<b>992.8</b>	<b>Total Expenditure</b>	<b>1,090.4</b>
	<b>Income</b>	
(184.4)	Fees, Charges and Other Income	(173.1)
(3.6)	Interest and Investment Income	(10.1)
(410.0)	Council Tax and NNDR	(444.3)
(414.9)	Government Grants and Contributions	(408.0)
<b>1,012.9</b>	<b>Total Income</b>	<b>(1,035.5)</b>
<b>(20.1)</b>	<b>(Surplus) or Deficit on Provision of Services</b>	<b>54.9</b>

<sup>1</sup> the Other service expenses row has been increased by £14m (and the Depreciation, amortisation and impairment row reduced by £14m), to correct the disclosure of Reffcus expenditure.

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

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

- Definition of Accounting Estimates (Amendments to IAS 8).
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2).
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12).
- Updated to reference to the 2018 Conceptual Framework (Amendments to IFRS 3).

These changes are not expected to have a material impact on the Council's statements of accounts.

## Note 4: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 47, the Authority has had to make certain judgements about complex transactions or those involving uncertainty about future events. There were no critical judgements made that need reporting.:

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

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

The items in the Authority's Balance Sheet at 31 March 2023 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows.

Items	Uncertainties	Effect if actual results differ from assumptions
Property, Plant and Equipment	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets. The Council's external valuers provided valuations as at 31 March 2023 for over 50% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values.</p> <p>The carrying value of Property, Plant and Equipment at 31 March 2023 is £937m.</p>	<p>The net book value of non-current assets subject to potential revaluation is £404m. A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>If the value of the Council's operational properties were to reduce by 10%, this would result in a charge to the Comprehensive Income and Expenditure Statement and or Revaluation reserve of approximately £40m</p>
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. An independent firm of consulting actuaries is engaged to provide the Authority with expert advice about the assumptions to be applied, although ultimate responsibility for forming these assumptions remains with the Authority.</p> <p>The carrying value of the net Pension Liability at 31 March 2023 is £35m.</p>	<p>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.1% decrease in the discount rate assumption would result in an increase in the pension liability of £28m. A one year increase in member life expectancy compared with the assumption used would increase the liabilities by £66m.</p> <p>However, the assumptions interact in complex ways. During 2022/23, the Authority's Actuary advised that the net pension liability had increased by £245m as a result of estimates being corrected as a result of experience and decreased by £839m attributable to updating of the assumptions.</p>

## Note 6: Material Items of Income and Expense

There are no significant material items of income and expense that need reporting.

## Note 7: Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 24 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this

date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Note 8: Prior Period Adjustments

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Where a change is made, it is applied retrospectively by adjusting opening balances and comparative amounts for the prior period as if the new policy had always been applied. 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.

### Property, Plant and Equipment

A prior period adjustment of £40m (31 March 2022) has been made to correct the valuations of maintained school assets and to remove assets held at historic cost. During the 2022/23 audit it was identified that school valuations undertaken by the Councils external valuers were overstated. Non-school building areas were incorrectly valued at the same rate as the building areas – which attract a higher valuation. Further investigation identified that the overstatement originated in 2019/20. All school valuations since 2019/20 have now been updated resulting in a reduction in the value of school land of £22m and a reduction of £8m in the value of school buildings. Separately, the Council has also reviewed assets held at historic cost. This has identified that some of these assets were no longer owned by the Council and needed removing from the fixed asset register and some needed to be revalued down. These adjustments amounted to £10m of the adjustment made.

The values of these assets are deemed material and so a prior period adjustment has been applied to the accounts. The overall effect of the prior period adjustment is as follows:

*Balance Sheet:* Closing balance of Land and Buildings has reduced by £36.7m in 2020/21 and £40.1m in 2021/22.

*Balance Sheet:* Closing balance of Unusable Reserves has reduced by £36.7m in 2020/21 and £40.1m in 2021/22.

*CI&ES:* The Net Cost of Services in 2021/22 has decreased by £0.5m for Children and Family Services.

*CI&ES:* Surplus on revaluation of Property, Plant and Equipment in 2021/22 has decreased by £3.8m.

*MIRS:* Unusable reserves as at 31 March 2022 have decreased by £40.1m

*MIRS:* Total authority reserves as at 31 March 2022 have decreased by £40.1m

*Cashflow:* The net surplus on the Provision of Services has increased by £0.5m during 2021/22

*Cashflow:* The adjustments to net (surplus) or deficit on the Provision of Services for non-cash movements has increased by £0.5m during 2021/22.

The following tables show the adjustments made.

Restated Balance Sheet	Previous Balance 31 March 21 £m	Asset Revaluations (Note 17) £m	Restated Balance 1 April 2021 £m	Previous Balance 31 March 22 £m	Asset Revaluations (Note 17) £m	Restated Balance 31 March 22 £m
Property, Plant & Equipment	957.9	(36.7)	921.2	983.9	(40.1)	943.8
<b>Net Assets</b>	<b>125.3</b>	<b>(36.7)</b>	<b>88.6</b>	<b>484.5</b>	<b>(40.1)</b>	<b>444.4</b>
Unusable Reserves	(78.0)	(36.7)	(114.7)	229.8	(40.1)	189.7
<b>Total Reserves</b>	<b>125.3</b>	<b>(36.7)</b>	<b>88.6</b>	<b>484.5</b>	<b>(40.1)</b>	<b>444.4</b>

Restated CIES	Previous Balance Net Expenditure 31 March 22 £m	Asset Revaluations (Note 17) £m	Restated Balance Net Expenditure 31 March 22 £m
Children & Family Services Net Expenditure	139.1	(0.5)	138.6
<b>Net Cost of Services</b>	<b>452.9</b>	<b>(0.5)</b>	<b>452.4</b>
<b>(Surplus) / Deficit on Provision of Services</b>	<b>(19.6)</b>	<b>(0.5)</b>	<b>(20.1)</b>

## Notes to the Accounts

Surplus on Revaluation of Property, Plant & Equipment	(27.0)	3.8	(23.2)
Total Items that will not be reclassified to the (surplus) or deficit on the Provision of Services	(339.5)	3.8	(335.7)
<b>Total Comprehensive (Income) and Expenditure</b>	<b>(359.1)</b>	<b>3.3</b>	<b>(355.8)</b>

<b>Restated MIRS</b>	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m
<b>Balance as at 31 March 2021</b>	203.3	(77.9)	125.4
Prior Period Adjustment (Note 8)	0	(36.8)	(36.8)
<b>Restated as at 1 April 2021</b>	<b>203.3</b>	<b>(114.7)</b>	<b>88.6</b>
<b>Total Comprehensive Income and Expenditure</b>	19.6	339.5	359.1
Prior Period Adjustment (Note 8)	0.5	(3.9)	(3.3)
<b>Restated Comprehensive Income and Expenditure as at 31 March 22</b>	<b>20.1</b>	<b>335.6</b>	<b>355.7</b>
Adjustments between accounting basis and funding basis under regulation (Note 8)	31.7	(31.7)	0
Prior Period Adjustment (Note 8)	(0.5)	0.5	0
<b>Restated Adjustments between accounting basis and funding basis under regulation (Note 8) as at 31 March 2022</b>	<b>31.2</b>	<b>(31.2)</b>	<b>0</b>
<b>Increase / (Decrease) in Year</b>	<b>51.3</b>	<b>304.4</b>	<b>355.7</b>
<b>Restated Balance at 31 March 2022 carried forward</b>	<b>254.6</b>	<b>189.8</b>	<b>444.4</b>

<b>Restated Cashflow</b>	Previous Balance 31 March 22 £m	Asset Revaluations (Note 17) £m	Restated Balance 31 March 22 £m
Net (surplus) or deficit on the provision of services	(19.6)	(0.5)	(20.1)
Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	(137.2)	0.5	(136.7)
Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	55.3	0.0	55.3
<b>Net cash flows from Operating Activities</b>	<b>(101.5)</b>	<b>0.0</b>	<b>(101.5)</b>

The primary statements and notes to the accounts have been updated for these changes.

### Financial Instruments – Note 20

A prior period adjustment has been made to Note 20 to the accounts. The values reported for debtors and creditors have been updated to exclude payments in advance and receipts in advance, respectively, that had been included in error. The adjustments made are reported below. Note 20 to the accounts has been updated for these changes.

	31 March 2022 Long Term £m	Adjustment £m	Revised 31 March 2022 Long Term £m	31 March 2022 Current £m	Adjustment £m	Revised 31 March 2022 Current £m
Debtors	27.1	0.0	27.1	105.0	(21.1)	83.9
<b>Total Financial Assets</b>	<b>88.8</b>	<b>0.0</b>	<b>88.8</b>	<b>508.3</b>	<b>(21.1)</b>	<b>487.2</b>
Creditors	85.0	(78.0)	7.0	177.6	(32.1)	145.5
<b>Total Financial Liabilities</b>	<b>351.0</b>	<b>(78.0)</b>	<b>273.0</b>	<b>181.3</b>	<b>(32.1)</b>	<b>149.2</b>



## **Note 9: Adjustments between Accounting Basis and Funding Basis under Regulations**

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

## Notes to the Accounts

	Usable Reserves			
2022/23	General Fund Balance	Capital Receipts Reserve	Capital Grants Unapplied	Movement in Usable Reserves
	£m	£m	£m	£m
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs	38.0			38.0
Financial Instruments	(0.2)			(0.2)
Council Tax and NDR	(2.9)			(2.9)
Accumulated Absences	(1.3)			(1.3)
Pooled Investment Funds	(2.2)			(2.2)
Transferred to DSG Adjustment Account	5.9			5.9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	85.1		4.2	89.3
<b>Total Adjustments to Revenue Resources</b>	<b>122.4</b>	<b>0.0</b>	<b>4.2</b>	<b>126.6</b>
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(1.1)	1.1		0.0
Statutory provision for the repayment of debt (MRP)	(6.2)			(6.2)
Principal repayments of transferred Debt	1.4			1.4
Capital expenditure financed from revenue balances	(25.8)			(25.8)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(31.7)</b>	<b>1.1</b>	<b>0.0</b>	<b>(30.6)</b>
Use of the Capital Receipts Reserve to finance capital expenditure		(1.1)		(1.1)
Application of capital grants to finance capital expenditure	(39.1)			(39.1)
<b>Total Adjustments to Capital Resources</b>	<b>(39.1)</b>	<b>(1.1)</b>	<b>0.0</b>	<b>(40.2)</b>
<b>Total Adjustments</b>	<b>51.5</b>	<b>0.0</b>	<b>4.2</b>	<b>55.7</b>

## Notes to the Accounts

	Usable Reserves			
2021/22 (restated)	General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Movement in Usable Reserves £m
<b>Adjustments to the Revenue Resources</b>				
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:				
Pension Costs	53.3			53.3
Financial Instruments	(0.3)			(0.3)
Council Tax and NDR	(6.9)			(6.9)
Accumulated Absences	0.8			0.8
Transferred to DSG Adjustment Account	13.2			13.2
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	60.5		(0.8)	59.7
<b>Total Adjustments to Revenue Resources</b>	<b>120.6</b>		<b>(0.8)</b>	<b>119.8</b>
<b>Adjustments between Revenue and Capital Resources</b>				
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(7.2)	7.2		0.0
Statutory provision for the repayment of debt (MRP)	(18.2)			(18.2)
Principal repayments of transferred Debt & Local Authority Mortgage Scheme (LAMS)	1.4			1.4
Capital expenditure financed from revenue balances	(5.9)			(5.9)
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(29.9)</b>	<b>7.2</b>		<b>(22.8)</b>
<b>Adjustments to Capital Resources</b>				
Use of the Capital Receipts Reserve to finance capital expenditure		(7.1)		(7.1)
Application of capital grants to finance capital expenditure	(58.7)			(58.7)
<b>Total Adjustments to Capital Resources</b>	<b>(58.7)</b>	<b>(7.1)</b>		<b>(65.8)</b>
<b>Total Adjustments</b>	<b>31.9</b>	<b>0.1</b>	<b>(0.8)</b>	<b>31.2</b>

## Note 10: Unusable Reserves

### Revaluation Reserve

The revaluation reserve contains the gains made by the Authority arising from increases in the value of Property, Plant and Equipment, and Intangible Assets. The balance is reduced when assets with accumulated gains are:

- revalued downwards or impaired and the gains are lost.
- used in the provision of services and the gains are consumed through depreciation or disposed of and the gains are realised.

The Reserve contains only revaluation gains accumulated since 1 April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

(Restated) 2021/22 £m		2022/23 £m
215.0	<b>Balance at 1 April</b>	<b>202.5</b>
(22.6)	Prior Period Adjustment (Note 8)	0.0
<b>192.4</b>	<b>Restated balance 1 April</b>	<b>202.5</b>
(1.8)	Adjustment between Revaluation Reserve and Capital Adjustment Account <sup>1</sup>	0.0
41.3	Upward revaluation of assets	51.0
(18.1)	Downward revaluation of assets losses not charged to the Surplus or (Deficit) on the Provision of Services	(31.4)
(7.5)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(2.4)
(3.7)	Difference between fair value depreciation and historical cost depreciation	(4.7)
<b>202.5</b>	<b>Balance at 31 March</b>	<b>215.0</b>

<sup>1</sup> Correction of past revaluation reserve and capital adjustment account balances to the fixed asset register

### Capital Adjustment Account

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

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

Note 8 to the accounts provide details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.



## Notes to the Accounts

(Restated) 2021/22 £m		2022/23 £m
572.6	<b>Balance at 1 April</b>	600.5
(14.1)	Prior Period Adjustment (Note 8)	0.0
558.5	<b>Restated balance 1 April</b>	600.5
1.8	Adjustment between Revaluation Reserve and Capital Adjustment Account <sup>1</sup>	0.0
	<b>Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure:</b>	
(36.8)	Charges for depreciation of non-current assets	(26.5)
(9.0)	Revaluation losses on Property, Plant and Equipment	(20.0)
(1.1)	Amortisation of intangible assets	(0.9)
(3.6)	Revenue expenditure funded from capital under statute	(0.1)
(13.9)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(32.2)
496.1		520.8
11.3	Adjusting amounts written out of the revaluation reserve	7.1
507.4	Net written out amount of the costs of non-current assets consumed in year	527.9
	<b>Capital financing applied in year:</b>	
7.1	Use of the Capital Receipts Reserve to finance new capital expenditure	1.1
58.8	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	34.9
0.8	Application of grants to capital financing from the Capital Grants Unapplied Account	0.0
18.2	Statutory provision for the financing of capital investment charged against the General Fund Balance	6.2
3.7	Fair value profit and (loss) valuations	(5.4)
(1.4)	Principal Repayments of transferred Debt	(1.4)
6.0	Capital expenditure charged against the General Fund Balance	25.8
0.0	Movements in the Fair Value of Investment Properties	0.0
600.5	<b>Balance at 31 March</b>	589.1

<sup>1</sup> Correction of past revaluation reserve and capital adjustment account balances to the fixed asset register

### Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefitting from gains per statutory provisions. The Authority uses the Account to manage premiums paid and discounts received on the early redemption of loans. Premiums and discounts are taken to the CIES when they are incurred, but reversed out of the General Fund Balance to the Account in the MIRS.

Over time, the expense is posted back to the General Fund Balance in accordance with the statutory arrangements for spreading the burden on council tax. For early repayments since 1 April 2007, this period is the lesser of the remaining period of the loan(s) being repaid or a maximum of 10 years. All premiums and discounts prior to this date are charged over a period of up to 25 years.

## Notes to the Accounts

2021/22 £m		2022/23 £m
(4.2)	<b>Balance at 1 April</b>	(4.0)
Amounts by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements:		
0.4	Annual write down of premiums paid on rescheduled debt	0.4
(0.2)	Annual write down of discounts received on rescheduled debt	(0.1)
(4.0)	<b>Balance at 31 March</b>	(3.7)

### Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions.

The Authority accounts for post-employment benefits in the CIES as the benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflations, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed as the Authority makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible.

The debit balance on the Pension Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources the Authority has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

2021/22 £m		2022/23 £m
(835.6)	<b>Balance at 1 April</b>	(576.4)
312.8	Remeasurements of the net defined benefit liability	579.8
(101.2)	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(91.0)
47.6	Employer's pensions contributions and direct payments to pensioners payable in the year	53.0
(576.4)	<b>Balance at 31 March</b>	(34.6)

### Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the CIES as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Funds (of billing authorities).

2021/22 £m		2022/23 £m
(8.0)	<b>Balance at 1 April</b>	(1.1)
	Amount by which council tax and non-domestic rating income credited to the CIES is different from council tax and non-domestic rating income calculated for the year in accordance with statutory requirements.	
6.9		2.9
(1.1)	<b>Balance at 31 March</b>	1.8

## Accumulated Absences Account

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

2021/22 £m		2022/23 £m
(6.7)	<b>Balance at 1 April</b>	(7.5)
6.7	Settlement or cancellation of accrual made at the end of the preceding year	7.5
(7.5)	Amounts accrued at the end of the current year	(6.2)
(0.8)	Amount by which officer remuneration charged to the CIES on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	1.4
(7.5)	<b>Balance at 31 March</b>	(6.2)

## Pooled Investment Funds Adjustment Account

The pooled investment funds adjustment account is a mechanism that is required by the Capital Finance and Accounting regulations to hold the fair value movements in those pooled investment funds specified by the regulations. The difference between the amount charged or credited in the year to the surplus or deficit on the provision of services in accordance with the Code and the amount charged or credited to the General Fund in accordance with regulations should be debited or credited to the General Fund with the double entry going to the pooled investment funds adjustment account such that the General Fund is charged or credited with the amount that accords with the applicable regulations.

2021/22 £m		2022/23 £m
0.0	<b>Balance at 1 April</b>	0.0
0.0	Fair value movements transferred to/from the General Fund in accordance with the statutory regulations	2.2
0.0	<b>Balance at 31 March</b>	2.2

## Dedicated Schools Grant Adjustment Account

The Dedicated Schools Grant adjustment account holds accumulated deficits relating to the schools budget. Where the authority has incurred a deficit on its schools budget in years beginning 1 April 2020 ending 31 March 2026, the Local Authorities (Capital Financing and Accounting) Regulations do not allow for such amounts to be included in the General Fund and instead must be held in this adjustment account.

2021/22 £m		2022/23 £m
(11.1)	<b>Balance at 1 April</b>	(24.3)
(13.2)	School budget deficit transferred from General Fund in accordance with statutory requirements	(5.9)
(24.3)	<b>Balance at 31 March</b>	(30.2)

## Note 11A: General Fund Balance

The balance of the fund includes the following sums:

2021/22 £m		2022/23 £m
11.3	Delegated Funding for Schools	9.1
0.0	Carry forward of underspend across other services	0.0
<b>11.3</b>	<b>Earmarked Reserves as at 31 March</b>	<b>9.1</b>
18.0	Uncommitted balance	19.0
<b>29.3</b>	<b>Balance at 31 March</b>	<b>28.1</b>

## Note 11: Movements in Earmarked Revenue Reserves

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

	Balance at 31 March 2021 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2022 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2023 £m
Insurance	13.8	1.9	0.0	15.7	1.3	(1.2)	15.9
Renewals of Vehicles & Equipment	4.2	0.6	(0.8)	4.0	1.1	(3.1)	2.0
Children & Family Services							
- C&FS Developments	1.0	1.7	(0.6)	2.1	3.0	(2.2)	2.8
Adults & Communities							
- A&C Developments	5.6	0.5	(3.8)	2.3	0.2	(0.8)	1.8
- Health & Social Care Outcomes	8.9	9.0	(3.0)	14.9	2.7	(4.5)	13.1
Public Health							
- General	1.8	9.7	(0.2)	11.3	0.0	(2.8)	8.4
- Active Together	1.4	0.0	0.0	1.4	0.1	(0.0)	1.5
Environment & Transport							
- Commuted Sums	3.1	0.8	(0.6)	3.3	0.6	(1.2)	2.7
- LLITM	2.1	0.0	(0.5)	1.6	0.5	(0.8)	1.3
Corporate							
- Capital Financing	64.4	58.2	(11.7)	110.9	28.7	(28.3)	111.3
- Transformation Fund	9.2	1.9	(3.6)	7.5	5.0	(3.3)	9.3
- Broadband	2.4	0.5	(0.5)	2.4	0.0	(0.3)	2.1
- Business Rates Retention	8.1	3.3	(7.5)	3.9	0.0	(3.3)	0.6
- Budget Equalisation	24.0	7.9	0.0	31.9	25.8	(18.3)	39.5
- Carbon Neutral Investment Fund	0.0	2.0	0.0	2.0	0.0	(0.0)	2.0
Other (reserves below £1m at 31 March 23)	25.0	9.0	(24.7)	9.3	2.3	(3.5)	8.1
<b>TOTAL</b>	<b>175.0</b>	<b>107.0</b>	<b>(57.5)</b>	<b>224.5</b>	<b>71.3</b>	<b>(73.5)</b>	<b>222.3</b>

The following are the main reserves held by the Authority, as at 31<sup>st</sup> March 2023:

**Insurance** - the insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding liabilities, unsettled at 31 March 2023, and a reserve to meet future claims.

**Health & Social Care Outcomes** - reserve used in conjunction with Health partners across Leicestershire.

**Public Health** - to fund Public Health initiatives within Leicestershire. The Department has a detailed plan of public health initiatives, including those relating to Covid-19, to be implemented over the next two to three years.

**Capital Financing** - revenue contributions to fund capital expenditure in future years.

**Transformation Fund** - a programme of projects to deliver efficiency savings and service improvements across the Authority and to fund potential restructuring costs of reconfiguring those services.

**Budget Equalisation** - funding set aside to manage variations in funding across financial years.

## Note 12: Other Operating Expenditure

2021/22 £m		2022/23 £m
0.3	Flood Defence Levies	0.3
(0.5)	(Gains)/losses on the disposal of non-current assets (Excluding Academies)	(0.3)
3.5	(Gains)/losses on the disposal of Academies	26.7
<b>3.3</b>	<b>Total</b>	<b>26.7</b>

## Note 13: Financing and Investment Income and Expenditure

2021/22 £m		2022/23 £m
14.0	Interest payable and similar charges	14.0
17.1	Net Pensions interest cost and expected return on pensions assets	15.8
(3.6)	Interest receivable and similar income	(10.1)
0.0	Income & Expenditure in relation to investment properties and changes in their fair value	0.0
(2.8)	Gains/losses on financial instruments classified as fair value through profit or loss	3.7
0.1	Other investment income & Expenditure	0.3
<b>24.8</b>	<b>Total</b>	<b>23.7</b>

## Note 14: Taxation and Non-Specific Grant Incomes

2021/22 £m		2022/23 £m
(339.4)	Council tax income	(354.3)
(70.6)	Non-domestic rates	(90.0)
(32.0)	Non ring-fenced government grants	(26.2)
(58.7)	Capital grants and contributions	(39.2)
<b>(500.6)</b>	<b>Total</b>	<b>(509.7)</b>

## Note 15: Pensions Revenue Costs

### a) Local Government Pension Scheme – A defined benefit scheme

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

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

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

The principal risks to the authority of the scheme are the longevity assumptions, statutory changes to the scheme, structural changes to the scheme (i.e. large-scale withdrawals from the scheme), changes to inflation, bond yields and the performance of the equity investments held by the scheme. These are mitigated to a certain extent by the statutory requirements to charge to the General Fund the amounts required by statute as described in the accounting policies note 47.

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

The IAS 19 balance sheet net pension deficit as at 31<sup>st</sup> March 2023 has decreased since the previous year. The discount rate used in the valuation increased (in line with AA rated corporate bond yields) from 2.7% to 4.8%, which had the impact of decreasing the present value of future liabilities. Overall the net pension liability decreased to £35m (31 March 2022, £576m).

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

2021/22 £m		2022/23 £m
	<b>Comprehensive Income and Expenditure Statement</b>	
	Cost of Services	
	<b>Service cost comprising:</b>	
84.7	Current service cost	81.5
0.1	Past service costs	0.3
(0.7)	Settlements and Curtailments	(6.6)
	<b>Financing and Investment Income and Expenditure:</b>	
17.1	Net Interest expense	15.8
<b>101.2</b>	<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>91.0</b>



## Notes to the Accounts

	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	<b>Remeasurement of the net defined benefit liability comprising:</b>	
(144.8)	Return on planned assets (excluding the amount included in the net interest expense)	65.8
(12.5)	Actuarial gains/losses arising from changes in demographic assumptions	(14.2)
(156.7)	Actuarial gains/losses arising from changes in financial assumptions	(824.3)
1.7	Other	192.8
<b>(211.1)</b>	<b>Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement</b>	<b>(488.9)</b>
	<b>Movements in Reserves Statement</b>	
101.2	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	91.0
(45.2)	Actual amount charged against the General Fund Balance for Pensions in the year	
(2.8)	Employers contributions payable to scheme	(50.3)
	Unfunded benefits	(2.7)
<b>53.2</b>	<b>Total amount charged against the General Fund Balance for Pensions in the year</b>	<b>38.0</b>

The cumulative amount of actuarial gains and losses recognised in Other Comprehensive Income and Expenditure in the actuarial gains or losses on pension assets and liabilities line at 31 March 2023 was a loss of £35m and at 31 March 2022 was a loss of £576m.

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

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

2021/22 £m		2022/23 £m
<b>1,506.9</b>	<b>As at 1 April</b>	<b>1,680.8</b>
30.1	Interest Income	45.3
	Remeasurement gain/(loss):	
144.8	Return on plan assets	(65.8)
0.0	Other experience	(25.1)
44.7	Employer contributions	50.3
10.5	Contributions by scheme participants	11.0
(58.5)	Benefits paid	(60.1)
2.9	Contributions in respect of unfunded benefits	2.9
(0.6)	(Losses) / Gains on settlements	(5.8)
0.0	Asset ceiling adjustment	(14.2)
<b>1,680.8</b>	<b>As at 31 March</b>	<b>1,619.2</b>

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

2021/22 £m		2022/23 £m
(2,293.9)	Present value of funded obligations	(2,214.9)
(10.4)	Present value of unfunded obligations:	
(38.1)	- Local government pension scheme	(9.2)
	- Teachers scheme	(33.1)
<b>(2,342.4)</b>	<b>As at 1 April</b>	<b>(2,257.2)</b>
(84.7)	Current service cost	(81.6)
(47.2)	Interest Cost	(61.2)
(10.5)	Contributions by scheme participants	(11.0)
	Remeasurement (gains) and losses:	
12.5	Changes in demographic assumptions	14.2
156.7	Changes in financial assumptions	824.3
(1.3)	Other experience	(153.7)
	Past service costs:	
(0.1)	(Losses) / Gains on curtailments	(0.1)
58.5	Benefits paid	60.1
1.3	Liabilities extinguished on settlements	12.4
<b>(2,257.2)</b>	<b>As at 31 March</b>	<b>(1,653.8)</b>
(2,214.9)	Present value of funded obligations	(1,619.3)
(9.2)	Present value of unfunded obligations:	
(33.1)	Local government pension scheme	(7.7)
	Teachers scheme	(26.8)

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.

In 2022/23, the local government pension scheme (LGPS) has net assets of £14.2m due to changes in the financial assumptions and in particular the increase in the discount rate used. In accordance with proper accounting practice, an asset ceiling calculation has been undertaken which shows that the net asset cannot be realised. As a result, the Councils net assets (and the net pension liability) is reduced by £14.2m.

Local Government Pension Scheme assets comprised:

2021/22 £m	% of total assets		2022/23 £m	% of total assets
14.0	1%	Equity Securities:		
		Other	5.1	0%
84.4	5%	Debt Securities:		
3.1	0%	UK Government	75.2	5%
112.4	7%	Other	6.9	0%
		Private Equity	111.8	7%
129.3	8%	Real Estate:		
		UK Property	115.8	7%
		Investment Funds and Unit		

## Notes to the Accounts

773.9	46%	Trusts:		
0.0	0%	Equities	715.2	44%
0.0	0%	Bonds	0.0	0%
42.2	3%	Hedge Funds	0.0	0%
87.9	5%	Commodities	42.0	3%
345.2	20%	Infrastructure	133.6	8%
		Other	390.2	24%
		Derivatives		
		Interest rate		
3.5	0%	Foreign Exchange	1.0	0%
84.9	5%	Cash and Cash Equivalents	36.7	2%
<b>1,680.8</b>	<b>100%</b>	<b>As at 31 March</b>	<b>1,633.5</b>	<b>100%</b>

The scheme history of the pension fund is as follows:

	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m	2022/23 £m
Present value of liabilities:	(2,043.9)	(1,813.7)	(2,342.4)	(2,257.2)	(1,653.8)
Fair value of assets:	1,302.2	1,207.1	1,506.9	1,680.8	1,633.5
Asset Ceiling Adjustment	0.0	0.0	0.0	0.0	(14.2)
<b>Surplus / (Deficit)</b>	<b>(741.7)</b>	<b>(606.6)</b>	<b>(835.5)</b>	<b>(576.4)</b>	<b>(34.6)</b>

The liability shows the underlying commitment that the Authority has in the long run to pay post-employment (retirement) benefits. This total liability of £35m has a substantial impact on the net worth of the Authority as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit will result in the deficit being made good by increased contributions by the employer, over the remaining working life of employees, as assessed by the actuary.

### Basis for estimating assets and liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependant on assumptions about mortality rates, salary levels, etc. The Authority's Pension fund liabilities have been assessed by Hymans Robertson LLP, an independent firm of actuaries, estimates for the County Council fund being based on the latest full valuation of the Pension Fund as at 31<sup>st</sup> March 2022.

The principal assumptions used by the actuary have been:

31 March 2022		31 March 2023
	Mortality assumptions (in years):	
	Longevity at 65 for current pensioners:	
21.5	▪ Men	21.5
24.0	▪ Women	24.3
	Longevity at 65 for future pensioners:	
22.4	▪ Men	22.2
25.7	▪ Women	25.7

## Notes to the Accounts

3.7%	Rate of inflation	3.5%
3.7%	Rate of increases in salaries	3.5%
3.2%	Rate of increase in pensions	3.0%
2.7%	Rate for discounting scheme liabilities	4.8%
	Proportion of employees opting to commute part of their annual pension to a retirement lump sum:	
50%	Pre April 2008 Service	55%
75%	Post April 2008 Service	55%

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

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

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

Sensitivities regarding the principal assumptions used to measure the scheme liabilities at 31 March 2023:

	Approximate % Increase in Employer Liability	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate	2%	27.5
1 year increase in member life expectancy	4%	66.2
0.1% increase in the Salary Increase Rate	0%	2.8
0.1% increase in the Pension Increase Rate	2%	25.2

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

### Pension Fund Risk Management Strategy

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

Responsibility for the Fund's risk management strategy rests with the Pension Fund Management Board and is monitored annually or more frequently if required. Further details can be found within the Pension Fund Statement of Accounts, included at the end of this document.

### Impact on the Authority's Cash Flows

The objectives of the scheme are to keep employers' contributions at a constant rate as possible. The Authority has agreed a strategy with the scheme's actuary to achieve a funding level of 100% over the next 17 years. The last triennial valuation was completed on 31 March 2022.

The scheme will need to take account of the national changes to the scheme under the Public Pensions Services Act 2013. Under the Act, The Local Government Scheme in England and Wales and the other main existing public service schemes may not provide benefits in relation to service after 31 March 2014 (or service after 31 March 2015 for other main existing public service pension schemes in England and Wales). The Act provides for scheme regulations to be made within a common framework, to establish new career average revalued earnings schemes to pay pensions and other benefits to certain public servants.

The authority anticipates to pay £52.0m expected contributions to the scheme in 2023/24. The weighted average duration of the defined benefit obligation for scheme members is 17 years, (2021/22, 19 Years).

### c) Teachers and Lecturers

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

The Scheme is technically a defined benefit scheme. However, the Scheme is unfunded, and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by Local Authorities. The Authority is not able to identify its share of the underlying financial position and performance of the Scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2022/23 the Authority paid £10.5m (2021/22 £10.7m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 23.7% (2021/22 23.7%) of teachers' pensionable pay. This is also the amount recognised as an expense in the Comprehensive Income and Expenditure Statement with regards to this scheme. In addition, the Authority is responsible for all pension payments relating to pension enhancements for added years' service it has awarded, together with the related increases. In 2022/23 these amounted to £1.9m (2021/22 £1.9m), representing 4.6% (2021/22 4.8%) of pensionable pay.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in note 15b.

### d) Public Health

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

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

In 2022/23 the Authority paid £0.1m to the NHS pension scheme (£0.1m in 2021/22) in respect of public health staff. This amount is recognised as an expense in the CIES under the Public Health services line.

## Note 16: Property, Plant and Equipment, Intangible and Held for Sale Assets

	Land and Buildings*	Vehicles Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Gross Carrying Amount as at 31 March 2022</b>	<b>419.8</b>	<b>33.7</b>	<b>11.3</b>	<b>70.0</b>	<b>2.9</b>	<b>537.7</b>	<b>7.4</b>	<b>10.2</b>
Additions	9.9	4.1	0.0	15.5	0.0	29.4	0.0	0.0
Capital Expenditure Not Adding Value	(3.4)	(0.3)	0.0	0.0	0.0	(3.7)	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	18.6	0.0	0.0	0.0	0.2	18.8	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(21.3)	0.0	0.0	0.0	0.0	(21.3)	0.0	0.0
Disposals	(28.3)	(5.5)	0.0	0.0	0.0	(33.8)	0.0	0.0
Asset Reclassifications	25.5	0.2	0.0	(27.2)	0.3	(1.2)	0.0	1.0
<b>Gross Carrying Amount as at 31 March 2023</b>	<b>420.7</b>	<b>32.2</b>	<b>11.3</b>	<b>58.3</b>	<b>3.4</b>	<b>525.9</b>	<b>7.4</b>	<b>11.2</b>
<b>Accumulated Depreciation as at 1 April 2022</b>	<b>(13.5)</b>	<b>(19.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(33.3)</b>	<b>(4.6)</b>	<b>0.0</b>
Depreciation	(9.9)	(4.0)	0.0	0.0	0.0	(13.9)	(0.9)	0.0
Depreciation written out to the Revaluation Reserve	0.7	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Depreciation written out to the Surplus/ Deficit	1.3	0.0	0.0	0.0	0.0	1.3	0.0	0.0
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	3.5	0.0	0.0	0.0	0.0	3.5	0.0	0.0
Derecognition Depreciation	1.3	5.5	0.0	0.0	0.0	6.8	0.0	(0.1)
<b>Accumulated Depreciation as at 31 March 2023</b>	<b>(16.6)</b>	<b>(18.3)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(34.9)</b>	<b>(5.5)</b>	<b>(0.1)</b>
<b>Net Book Value as at 31 March 2023</b>	<b>404.1</b>	<b>13.9</b>	<b>11.3</b>	<b>58.3</b>	<b>3.4</b>	<b>491.0</b>	<b>1.9</b>	<b>11.1</b>

\*Includes Travellers' Sites valuation of £1.8m not shown under Council Dwellings due to materiality.



## Notes to the Accounts

	Land and Buildings*	Vehicles Plant and Equipment	Community Assets	Assets Under Construction	Surplus Assets	Total	Intangible Assets	Assets Held for Sale
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Gross Carrying Amount as at 31 March 2021</b>	<b>456.7</b>	<b>26.9</b>	<b>11.3</b>	<b>65.1</b>	<b>0.9</b>	<b>560.9</b>	<b>7.4</b>	<b>0.2</b>
Prior period adjustment (Note 8)	-36.8	0.0	0.0	0.0	0.0	-36.8	0.0	0.0
<b>Restated Gross Carrying Amount as at 1 April 2021</b>	<b>419.9</b>	<b>26.9</b>	<b>11.3</b>	<b>65.1</b>	<b>0.9</b>	<b>524.1</b>	<b>7.4</b>	<b>0.2</b>
Additions	5.9	6.7	0.0	34.5	0.0	47.1	0.0	0.0
Capital Expenditure Not Adding Value	(14.1)	(0.2)	0.0	0.0	0.0	(14.3)	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	19.2	0.0	0.0	0.0	2.0	21.2	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(11.5)	0.0	0.0	0.0	0.0	(11.5)	0.0	0.0
Disposals	(14.7)	0.0	0.0	0.0	0.0	(14.7)	0.0	(0.2)
Asset Reclassifications	15.1	0.2	0.0	(29.6)	0.0	(14.3)	0.0	10.2
<b>Gross Carrying Amount as at 31 March 2022</b>	<b>419.8</b>	<b>33.6</b>	<b>11.3</b>	<b>70.0</b>	<b>2.9</b>	<b>537.6</b>	<b>7.4</b>	<b>10.2</b>
<b>Accumulated Depreciation as at 1 April 2021</b>	<b>(14.1)</b>	<b>(17.0)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(31.1)</b>	<b>(3.6)</b>	<b>0.0</b>
Depreciation	(8.6)	(2.8)	0.0	0.0	0.0	(11.4)	(1.0)	0.0
Depreciation written out to the Revaluation Reserve	2.1	0.0	0.0	0.0	0.0	2.1	0.0	0.0
Depreciation written out to the Surplus/ Deficit	0.7	0.0	0.0	0.0	0.0	0.7	0.0	0.0
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	6.1	0.0	0.0	0.0	0.0	6.1	0.0	0.0
Derecognition Depreciation	0.3	0.0	0.0	0.0	0.0	0.3	0.0	0.0
<b>Accumulated Depreciation as at 31 March 2022</b>	<b>(13.5)</b>	<b>(19.8)</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>(33.3)</b>	<b>(4.6)</b>	<b>0.0</b>
<b>Net Book Value as at 31 March 2022</b>	<b>406.3</b>	<b>13.8</b>	<b>11.3</b>	<b>70.0</b>	<b>2.9</b>	<b>504.3</b>	<b>2.8</b>	<b>10.2</b>

\*Includes Travellers' Sites valuation of £1.8m not shown under Council Dwellings due to materiality.

## Capital Commitments

As of 31 March 2023, the Authority has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment in 2022/23 and future years budgeted to cost £16.1m (commitments at 31 March 2022, £12.7m). The following table outlines the major contracts:

Major Contracts	£m
Old Dalby Primary School	1.4
Melton John Fernley Secondary School	3.6
Castle Donington Secondary School	2.4
Foxfields School SEND - Expansion	3.5
Melton Mowbray Distributor Road – North East	4.4

## Revaluations

The Authority carries out a rolling programme that ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. Valuations are carried out by Internal valuers and an external firm of valuers, Bruton Knowles LLP, who are both qualified Royal Institution of Chartered Surveyors (RICS) qualified Valuers. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS.

	Land and Buildings £m	Surplus Assets £m	Total £m
<b>Carried at Historical Cost:</b>	7.6	0.0	7.6
<b>Valued at Fair Value as at:</b>			
31 March 2023	295.6	3.1	298.7
31 March 2022	39.2	0.0	39.2
31 March 2021	15.6	0.0	15.6
31 March 2020	18.7	0.3	19.0
31 March 2019	27.4	0.0	27.4
<b>Total Cost or Valuation</b>	<b>404.1</b>	<b>3.4</b>	<b>407.5</b>

## Non-Current Intangible Assets

The Authority has non-current intangible assets of £1.9m (£2.8m 2021/22). This includes ICT software licences required to support and safeguard the ICT systems operated by the Authority.

## Fair Value Hierarchy

The Authority's surplus property portfolio has been assessed as Level 2 for valuation purposes. Please refer to Note 47 for further details concerning fair value and the input hierarchy.

	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i> £m	Level 2 <i>Other Significant Observable Inputs</i> £m	Level 3 <i>Significant Unobservable Inputs</i> £m
<b>Total - Surplus Properties 2021/22</b>	<b>0.0</b>	<b>2.9</b>	<b>0.0</b>
<b>Total - Surplus Properties 2022/23</b>	<b>0.0</b>	<b>3.4</b>	<b>0.0</b>

## Note 17: Highway Infrastructure Assets

### Movements on balances

In accordance with the temporary relief offered by the update to the code on infrastructure assets, this note does not include disclosure of gross cost and accumulated depreciation for infrastructure assets, because historical reporting practices and resultant information deficits mean that this would not faithfully represent the asset position to the users of the financial statements. The authority has chosen not to disclose this information as the previously reported practices and resultant information deficits mean that gross cost and accumulated depreciation are not measured accurately, and would not provide the basis for the users of the financial statements to take economic or other decisions relating to infrastructure assets.

	2021/22 £m	2022/23 £m
<b>Net Book Value (modified historical cost) at 1 April</b>	<b>428.1</b>	<b>439.5</b>
Additions	21.8	23.5
Depreciation	(14.6)	(17.0)
Impairment	0.0	0.0
Disposals	0.0	0.0
Asset Reclassifications	4.2	0.1
<b>Net book Value at 31 March</b>	<b>439.5</b>	<b>446.1</b>

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

## Note 18: Heritage Assets

	Historic Buildings	Museum Art Collectio n	Art Works Collectio n	Archaeo- logical Collectio n	Fashion Collection	Working Life Collection	Civic Collectio n	Total
	£m	£m	£m	£m	£m	£m	£m	£m
<b>Net book value as at 31 March 2022</b>	<b>0.4</b>	<b>0.7</b>	<b>2.5</b>	<b>0.4</b>	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>	<b>4.7</b>
Additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>Net Book Value as at 31 March 2023</b>	<b>0.4</b>	<b>0.7</b>	<b>2.5</b>	<b>0.4</b>	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>	<b>4.7</b>

## Notes to the Accounts

<b>Net book value as at 31 March 2021</b>	<b>0.4</b>	<b>0.7</b>	<b>2.5</b>	<b>0.4</b>	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>	<b>4.7</b>
Additions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Disposals	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	<b>0.0</b>
<b>Net Book Value as at 31 March 2022</b>	<b>0.4</b>	<b>0.7</b>	<b>2.5</b>	<b>0.4</b>	<b>0.1</b>	<b>0.4</b>	<b>0.2</b>	<b>4.7</b>

As per the accounting policy for Heritage Assets within note 47, assets and additions are initially recognised at cost. Revaluations are based on specialist or insurance valuations. Sale proceeds are accounted for in accordance with statutory requirements as these assets would meet the definition of a capital receipt.

### Heritage Asset Collections:

#### Historic Buildings

This category includes a number of historical ancillary buildings at Snibston Museum and Country Park that were part of the former colliery. At the same location, it includes the Blue Box Century Theatre. This is the only fully equipped solid structure, mobile theatre in the world. The dream of John Ridley, an engineer, was turned into reality in a Hinckley yard between 1948 and 1952. Many famous names are associated with the theatre including Laurence Olivier, Agatha Christie, Enid Blyton, Judi Dench, Helen Mirren, Tom Courtney, Derek Fowlds and Eileen Derbyshire. Also included is the medieval Manor House Museum at Donington le Heath.

#### The Museum Art Collection

Some of the notable paintings of most value are works by the nineteenth century local artist John Ferneley Snr.

#### The Artworks Collection

The collection consists of works of art which were initially acquired by the former Education Authority for loan to schools and colleges. Artists represented include Christopher Wood and William Scott.

#### The Archaeological Collection

This collection includes the Hallaton treasure, the largest hoard of British Iron Age coins, which was initially discovered near Hallaton in 2000. The hoard includes over 5,000 silver and gold coins, a silver-gilt Roman parade helmet, jewellery, and other objects. Most of the items date to around the time of the Roman Conquest of Britain in the 1st century AD.

#### The Fashion Collection

This collection includes the Symington collection which was created by the Market Harborough Company R. & W. H. Symington, which began to make corsets in the 1850s. The company eventually grew into an international concern and one of its most famous products, the Liberty Bodice, was produced for almost seventy years. This unique collection was

donated to the Authority's Museums Service in 1980 and tells the story of the Company over a period of one hundred and thirty years. It includes garments and supporting advertising material, which provide an insight into the development of corsetry, foundation garments and swimwear from the late 19th century through to the beginning of the 1990s.

### The Working Life Collection

The collection includes steam and diesel locomotives (from the mid to late 20th century) the Whitwick hearse; steam traction engines, battery electric vehicles (including a local ice cream van).

### The Civic Collection

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

## Note 19: Investment Property

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

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

2021/22 £m		2022/23 £m
(0.1)	Rental Income From Investment Property	(0.1)
0.0	Direct Operating Expenses	0.0
<b>(0.1)</b>	<b>(Surplus) / Deficit</b>	<b>(0.1)</b>

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to maintain, enhance or develop investment properties.

The following table summarises the movement in the fair value of investment properties over the year:

2021/22 £m		2022/23 £m
<b>1.7</b>	<b>Opening Balance as at 1st April</b>	<b>1.8</b>
0.0	Additions – Purchases	0.0
0.0	Additions – Construction	0.0
0.0	Additions - Subsequent Expenditure	0.0
0.0	Disposals	(0.2)
0.1	Gain/Loss From Fair Value Adjustments	0.0
	<b>Transfers:</b>	
0.0	(To)/From Inventory	0.0
0.0	(To)/From Property, Plant & Equipment	0.0
<b>1.8</b>	<b>Closing Balance as at 31st March</b>	<b>1.6</b>

As of 31<sup>st</sup> March 2022 no investment properties are classified as assets held for sale.

## Fair Value Hierarchy

The Authority's investment property portfolio has been assessed as Level 2 for valuation purposes. Note 47 provides details of fair value and the input level hierarchy as specified by IFRS 13.

Investment Properties	2022/23		
	£m	£m	£m
	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Commercial	0.0	0.6	0.0
Community	0.0	0.8	0.0
Residential	0.0	0.2	0.0
<b>Total</b>	<b>0.0</b>	<b>1.6</b>	<b>0.0</b>

Investment Properties	2021/22		
	£m	£m	£m
	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Commercial	0.0	0.6	0.0
Community	0.0	0.8	0.0
Residential	0.0	0.4	0.0
<b>Total</b>	<b>0.0</b>	<b>1.8</b>	<b>0.0</b>

## Valuation Techniques

In estimating the fair value of the Authority's investment properties, the highest and best use is deemed to be their current value.

The investment property portfolio has been measured using the market approach. This valuation technique maximises the use of prices (rent values) and relevant observable inputs such as information generated from comparable market transactions to reach suitable valuation. The objective of this technique is to estimate the price at which an orderly transaction to sell an asset or transfer a liability would take place between market participants at the measurement date under current market conditions.

## Valuers

The investment property portfolio has been valued in accordance with the methodologies and bases for estimation as set out in the professional standards and valuation manual of the Royal Institution of Chartered Surveyors (RICS). Investment property valuations are undertaken annually by a firm of external valuers, Bruton Knowles LLP who were commissioned by the Estates section of the Authority's Corporate Resources Department in accordance with the prescribed standards.



## Note 20: Financial Instruments

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

Restated <sup>1</sup> 31 March 2022 Long Term £m	Restated <sup>1</sup> 31 March 2022 Current £m		31 March 2023 Long Term £m	31 March 2023 Current £m
		<b>Financial Assets at Amortised Cost:</b>		
10.0	290.5	Investments	10.0	364.9
27.1	83.9	Debtors	26.3	75.6
0.0	112.8	Cash and Cash Equivalents	0.0	71.1
		<b>Financial Assets at Fair Value through Profit and Loss:</b>		
51.7	0.0	Investments	75.4	0.0
<b>88.8</b>	<b>487.2</b>	<b>Total Financial Assets</b>	<b>111.7</b>	<b>511.6</b>
		<b>Financial Liabilities at Amortised Cost:</b>		
264.8	3.7	Borrowing	264.3	3.7
7.0	145.5	Creditors	6.3	139.5
1.2	0.0	Finance Lease Liabilities	1.1	0.0
<b>273.0</b>	<b>149.2</b>	<b>Total Financial Liabilities</b>	<b>271.7</b>	<b>143.2</b>

<sup>1</sup> prior year restated to exclude receipts in advance and payments in advance (not financial instruments).

As at 31<sup>st</sup> March 2023, the authority has a long term investment of £10.0m with a banking institution, £22.5m in pooled property investments, £8.7m in pooled infrastructure investments, £28.7m in private debt investments and £15.5m in capital release funds. Pooled property is valued per the year end bid price or net asset value (NAV) statement. Private debt, pooled infrastructure and capital release funds are valued per year end NAV statements.

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The following gains and losses are recognised in the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement:

2021/22 £m		2022/23 £m
	<b>Net Gains/(Losses) on:</b>	
2.8	Financial Assets measured at Fair Value through Profit and Loss	3.7
<b>2.8</b>	<b>Total Net Gains/ (Losses)</b>	<b>3.7</b>
<b>5.2</b>	<b>Total Interest Income</b>	<b>11.6</b>
<b>15.3</b>	<b>Total Interest Expense</b>	<b>15.2</b>

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

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

31 March 2022 (Restated <sup>1</sup> )			31 March 2023	
Carrying Amount £m	At Fair Value £m		Carrying Amount £m	At Fair Value £m
576.1	575.4	<b>Financial Assets</b>	623.3	622.6
422.1	597.4	<b>Financial Liabilities</b>	414.8	457.7

<sup>1</sup> prior year restated to exclude receipts in advance and payments in advance (not financial instruments).

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

## Fair Value Hierarchy

The Authority's financial assets and liabilities have been assessed as Level 2 for valuation purposes. Note 47 (sub section 25) provides an explanation of fair value and the input level hierarchy.

	2022/23		
	£m	£m	£m
Fair Value	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Financial Assets	0.0	75.4	0.0
Financial Liabilities	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>75.4</b>	<b>0.0</b>

	2021/22		
	£m	£m	£m
Fair Value	Level 1 <i>Quoted Prices in Active Markets for Identical Assets</i>	Level 2 <i>Other Significant Observable Inputs</i>	Level 3 <i>Significant Unobservable Inputs</i>
Financial Assets	0.0	51.7	0.0
Financial Liabilities	0.0	0.0	0.0
<b>Total</b>	<b>0.0</b>	<b>51.7</b>	<b>0.0</b>

Except for the financial assets carried at fair value (described in the table above), all other financial liabilities and financial assets held by the authority are carried in the Balance Sheet at amortised cost.

## Note 21: Inventories

	Leicestershire Highways (stores) £m	Leicestershire Highways (fuel) £m	School Food (consumables) £m	Sub-total £m	Other (less than £0.1m) £m	Total £m
<b>Opening Balance 31 March 2022</b>	<b>1.1</b>	<b>0.1</b>	<b>0.3</b>	<b>1.5</b>	<b>0.3</b>	<b>1.8</b>
Purchases	1.7	0.7	3.7	6.1	2.5	8.6
Recognised as an expense during the year	(1.8)	(0.7)	(3.7)	(6.2)	(2.4)	(8.6)
<b>Closing Balance 31 March 2023</b>	<b>1.0</b>	<b>0.1</b>	<b>0.3</b>	<b>1.4</b>	<b>0.4</b>	<b>1.8</b>

## Note 22: Long Term Debtors

31 March 2022 £m		31 March 2023 £m
	<b>Long Term Debtors (amounts falling due after one year)</b>	
24.4	Outstanding debt relating to transferred services (e.g. Leicester City, Police, ESPO)	23.1
2.2	Residential Care Charges (secured against properties)	2.7
0.5	Other Long Term Debtors	0.5
<b>27.1</b>	<b>Total Long Term Debtors</b>	<b>26.3</b>

## Note 23: Short Term Debtors

31 March 2022 £m			31 March 2023 £m		
Debtors	Payments in Advance	Total	Debtors	Payments in Advance	Total
<b>105.1</b>	<b>21.0</b>	<b>126.1</b>	<b>102.7</b>	<b>20.4</b>	<b>123.1</b>
<b>Total Short Term Debtors</b>					

Debtors are shown net of a credit loss allowance of £11.6m as at 31 March 2023 (£6.5m 31 March 2022), reported in Note 44 to the accounts.

## Note 24: Cash & Cash Equivalents

31 March 2022 £m		31 March 2023 £m
	<b>Net Cash Balance at Year End:</b>	
0.0	School & Imprest Accounts	0.1
0.9	Main Bank Accounts	0.4
<b>0.9</b>	<b>Subtotal Cash In Hand / (Overdrawn)</b>	<b>0.5</b>
15.1	Service User Funds Bank Account*	15.1
96.8	Short-Term Deposits with Banks and Building Societies	55.5
<b>112.8</b>	<b>Total Cash and Cash Equivalents</b>	<b>71.1</b>

\* uninvested funds held in separate bank accounts on behalf of service users. An equivalent amount is shown within creditors on the balance sheet.

## Note 25: Long Term Creditors

31 March 2022 £m		31 March 2023 £m
	<b>Amounts Received in Advance: (more than one year)</b>	
7.0	Section 106 Housing Developer Revenue Contributions	6.3
<b>7.0</b>	<b>Total Long Term Creditors</b>	<b>6.3</b>

## Note 26: Short Term Creditors

31 March 2022 £m				31 March 2023 £m		
Creditors	Receipts in Advance	Total		Creditors	Receipts in Advance	Total
168.2	23.6	191.8	Total Short Term Creditors	162.6	25.8	188.4

## Note 27: Provisions

	31 March 2022 £m	Additional Provisions £m	Provisions Used £m	31 March 2023 £m
<b>Short Term</b>				
Non Domestic Rates	2.0	0.0	(0.2)	1.8
Insurance	0.4	0.3	(0.0)	0.7
County Farms Restoration	2.4	0.0	(0.0)	2.4
Other	1.0	0.9	(0.0)	1.9
<b>Total Short Term Provisions</b>	<b>5.8</b>	<b>1.2</b>	<b>(0.2)</b>	<b>6.8</b>
<b>Long Term</b>				
Insurance	1.8	0.2	(0.3)	1.7
<b>Total Long Term Provisions</b>	<b>1.8</b>	<b>0.2</b>	<b>(0.3)</b>	<b>1.7</b>
<b>Total Provisions</b>	<b>7.6</b>	<b>1.4</b>	<b>(0.5)</b>	<b>8.5</b>

### Details of Provisions Held:

#### Non Domestic Rate Appeals

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

#### Insurance

The insurance policies held by the Authority require a significant level of self-insurance, the level of this being recommended by independent advisers. The monies set aside for self-insurance are split between a provision representing outstanding, unsettled claims at 31 March 2022 and a reserve to meet future claims. The provision is expected to be used within the next seven years. The Insurance provision includes Public/Employers Liability, Fire and Uninsured Losses.

#### County Farms Restoration

Provision for the restoration costs of a County Council tenanted farm, Firs Farm in Husbands Bosworth, due to environmental damage relating to illegal waste disposal. A remediation strategy for the farm has been agreed with the Environment Agency for the removal and proper disposal of the waste on the farm and reinstatement of the farmland planned to take place in 2023/24.

## Note 28: Cash Flow Statement – Operating Activities

2021/22 (restated) £m		2022/23 £m
	<i>The cash flows for operating activities include the following items:</i>	
(4.9)	Interest Received	(7.2)
15.7	Interest Paid	15.8
	<i>The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:</i>	
(27.1)	Depreciation	(31.8)
(23.3)	Impairment and Downward Revaluations	(20.3)
(24.4)	(Increase) / decrease in Creditors	(41.7)
(8.9)	Increase / (decrease) in Debtors	(3.4)
0.5	Increase / (decrease) in Inventories	(0.1)
(53.3)	Movement in Pension Liability	(38.0)
(10.1)	Carrying amount of Non-Current Assets Sold or De-recognised	(27.5)
(0.8)	Other non-cash items charged to the net surplus or deficit on the provision of services	(0.8)
<b>(136.7)</b>	<b>Total adjustments to the net surplus or deficit on the provision of services for non-cash movements</b>	<b>(155.0)</b>
	<i>The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:</i>	
7.2	Proceeds from the sale of property, plant and equipment investment property and intangible assets	0.9
0.0	Proceeds from the sale of other investment assets	0.2
(10.6)	Servicing of Finance	(4.2)
58.7	Capital Grants and Contributions	34.9
55.3	<b>Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities</b>	<b>31.8</b>

## Note 29: Cash Flow Statement - Investing Activities

2021/22 £m		2022/23 £m
61.7	Purchase of property, plant and equipment, investment property and intangible assets	51.6
90.8	Acquisition of short and long-term investments	93.9
(7.2)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(0.9)
(58.7)	Capital Grants and Contributions	(34.9)
0.0	Other receipts from investing activities	(0.2)
<b>86.6</b>	<b>Net Cash Flows from Investing Activities</b>	<b>109.5</b>



## Note 30: Cash Flow Statement - Financing Activities

2021/22 £m		2022/23 £m
0.0	Cash receipts of short-term and long-term borrowing	0.0
0.5	Repayments of short-term and long-term borrowing	0.5
<b>0.5</b>	<b>Net Cash Flows from Financing Activities</b>	<b>0.5</b>

## Note 31: Pooled Budgets

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

### a) Integrated Community Equipment Service

The other members that contribute to this pool are Leicester City Council, Rutland County Council, NHS Leicester, Leicestershire and Rutland Integrated Care Board (ICB). Leicester City Council acts as the host authority. The Authority contributed £1.5m (2021/22 £1.2m) to the pool. The memorandum account shows total expenditure of £7.1m (2021/22 £6.6m) and gross income of £7.1m (2021/22 £6.6m). Funding commenced in 2005/06 and the partners have agreed to commission this service until March 2027.

2021/22		2022/23
	<b>Funding Provided to the Pooled Budget</b>	
(1.2)	Leicestershire County Council	(1.5)
(5.4)	Integrated Care Board	(5.6)
<b>(6.6)</b>	<b>Total</b>	<b>(7.1)</b>
	<b>Expenditure Met from the Pooled Budget</b>	
1.2	Leicestershire County Council	1.5
5.4	Integrated Care Board	5.6
<b>6.6</b>	<b>Total</b>	<b>7.1</b>
<b>0.0</b>	<b>Net Position on the Pooled Budget</b>	<b>0.0</b>

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

Partners who contribute to this pool are NHS Leicester, Leicestershire and Rutland Integrated Care board and Leicestershire County Council. Leicestershire County Council acts as host to the arrangement. The Authority contributed £11.6m (2021/22 £9.4m). The memorandum account shows total expenditure of £19.4m (2021/22 £16.9m) and gross income from the partners of £19.4m (2021/22 £16.9m). Any net over/underspend arising on the pooled budget is paid by/returned to the partners through revised contributions to the pool. Funding for this service commenced in 2005/06. Partners have a pooled budget agreement in place operated under section 75 of the NHS Act 2006.

2021/22 £m		2022/23 £m
	<b>Funding Provided to the Pooled Budget</b>	
(9.4)	Leicestershire County Council	(11.6)
(7.5)	Integrated Care Board	(7.8)
<b>(16.9)</b>	<b>Total</b>	<b>(19.4)</b>
	<b>Expenditure Met from the Pooled Budget</b>	
9.4	Leicestershire County Council	11.6
7.5	Integrated Care Board	7.8
<b>16.9</b>	<b>Total</b>	<b>19.4</b>
<b>0.0</b>	<b>Net Position on the Pooled Budget</b>	<b>0.0</b>
<b>0.0</b>	<b>Surplus to the Authority</b>	<b>0.0</b>

**c) The Better Care Fund.**

On the 1st April 2018, the Authority's Adults and Communities Department entered into a mandatory pooled budget arrangement under Section 75 of the NHS Act 2006 with NHS West Leicestershire Clinical Commissioning Group and NHS East Leicestershire and Rutland Clinical Commissioning Group. The Better Care Fund enables local authorities and the NHS to jointly plan and deliver local health and social care services. During 2022/23 the Clinical Commissioning Groups were replaced by the NHS Leicester, Leicestershire and Rutland Integrated Care Board. Leicestershire County Council acts as the host to the arrangement but not all expenditure incurred by the pool is passed through the Authority's ledger. The following memorandum account reflects the actual funding and expenditure values which have gone through each partner's ledger. In total the pooled budget had gross expenditure of £73m (21/22 £76.7m) and gross income of £73m (21/22 £76.7m).

2021/22 £m		2022/23 £m
	<b>Funding Provided to the Pooled Budget</b>	
(21.6)	Leicestershire County Council	(24.1)
(55.1)	Integrated Care Board	(48.9)
<b>(76.7)</b>	<b>Total</b>	<b>(73.0)</b>
	<b>Expenditure Met from the Pooled Budget</b>	
59.1	Leicestershire County Council	52.7
17.6	Integrated Care Board	20.3
<b>76.7</b>	<b>Total</b>	<b>73.0</b>
<b>0.0</b>	<b>Net Position on the Pooled Budget</b>	<b>0.0</b>

## Note 32: Senior Officers' Remuneration

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

Post holder Information (Post title)	Salary £000	Compensation for loss of office £000	Benefits in kind £000	Total Remuneration - excluding Employers Pension Contribution £000	Employers Pension Contributions (N1) £000	Total Remuneration - including Employers Pension Contribution £000
<b>2022/23</b>						
Chief Executive - John Sinnott	214	0	0	214	5	219
Director of Adults & Communities	143	0	0	143	41	184
Director of Public Health	143	0	0	143	21	164
Director of Children & Family Services	143	0	0	143	41	184
Director of Corporate Resources - S151 Officer	143	0	0	143	41	184
Director of Environment & Transport	143	0	0	143	41	184
Director of Law and Governance -Monitoring Officer	139	0	0	139	39	178
<b>Total</b>	<b>1,068</b>	<b>0</b>	<b>0</b>	<b>1,068</b>	<b>229</b>	<b>1,297</b>
<b>2021/22</b>						
Chief Executive - John Sinnott	212	0	0	212	0	212
Director of Adults & Communities	141	0	0	141	39	180
Director of Public Health	141	0	0	141	20	161
Director of Children & Family Services	141	0	0	141	39	180
Director of Corporate Resources - S151 Officer	141	0	0	141	39	180
Director of Environment & Transport	141	0	0	141	39	180
Director of Law and Governance – Monitoring Officer	132	0	0	132	36	168
<b>Total</b>	<b>1,049</b>	<b>0</b>	<b>0</b>	<b>1,049</b>	<b>212</b>	<b>1,261</b>

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

N1 – Revised employer's pension contribution rates in 2022/23.

## Notes to the Accounts

- b) The Authority's other employees whose remuneration, taxable expenses and severance (if applicable), was £50,000 or more are detailed below. This information does not include employer's pension contributions.

2021/22		Remuneration Band	2022/23	
Including Severance	Excluding Severance		Including Severance	Excluding Severance
No. of Employees	No. of Employees		No. of Employees	No. of Employees
183	183	£50,000-£54,999	132	131
76	76	£55,000-£59,999	121	119
72	72	£60,000-£64,999	73	73
32	32	£65,000-£69,999	37	36
33	33	£70,000-£74,999	36	36
6	6	£75,000-£79,999	5	5
7	7	£80,000-£84,999	9	9
7	6	£85,000-£89,999	8	8
1	2	£90,000-£94,999	1	1
3	3	£95,000-£99,999	2	2
9	8	£100,000-£104,999	7	7
1	1	£105,000-£109,999	0	0
2	3	£110,000-£114,999	2	2
1	0	£115,000-£119,999	1	1
2	2	£120,000-£124,999	1	1
0	0	£125,000-£129,999	2	2
1	0	£155,000-£159,999	0	0
<b>436</b>	<b>434</b>	<b>Total</b>	<b>437</b>	<b>433</b>

Note: the numbers above include Leicestershire maintained schools.

- c) The numbers of exit packages with total cost per band and total cost of compulsory and other redundancies are set out in the table below:

Exit Package Cost Band	Number of Compulsory Redundancies		Number of Other Departures Agreed		Total number of Exit Packages by Cost Band		Total cost of Exit Packages in each Cost Band*	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
							£m	£m
£0 - £20,000	10	18	35	17	45	35	0.2	0.3
£20,001 - £40,000	1	2	3	2	4	4	0.1	0.1
£40,001 - £60,000	0	1	2	2	2	3	0.1	0.2
£60,001 - £80,000	0	1	1	0	1	1	0.1	0.1
£80,001 - £100,000	1	0	0	0	1	0	0.1	0.0
<b>Total</b>	<b>12</b>	<b>22</b>	<b>41</b>	<b>21</b>	<b>53</b>	<b>43</b>	<b>0.6</b>	<b>0.7</b>

i) The above table includes accrued liabilities. See note 42 for further details.

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

## Note 33: Members' Allowances

Amounts were paid to Members of the Authority as follows:

2021/22 £m		2022/23 £m
0.7	Basic Allowance	0.7
0.4	Special Responsibility Allowances	0.4
<b>1.1</b>	<b>Total</b>	<b>1.1</b>

## Note 34: External Audit Costs

The Authority has incurred the following costs in relation to the audit of the statement of accounts:

2021/22 £		2022/23 £
	<b>Fees payable to external auditor:</b>	
139,777	Annual audit	179,000
6,917	Other services provided during the year	10,000
<b>146,694</b>	<b>Total</b>	<b>189,000</b>

## Note 35: Dedicated Schools Grant

The council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency (ESFA), the Dedicated Schools Grant (DSG). The DSG is ringfenced 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 2021. The schools budget includes elements for a range of educational services provided on an authority-wide basis and for the individual schools budget (ISB), which is divided into a budget share for each maintained school.

Details of the deployment of DSG receivable for 2022/23 are as follows:

2021/22			Schools Budget Funded by DSG	2022/23		
£m	£m	£m		£m	£m	£m
Central Exp	Individual Schools Budget	Total		Central Exp	Individual Schools Budget	Total
		(577.9)	Final DSG for 2022/23 before academy and high needs recoupment			(606.4)
		380.0	Academy and high needs figure recouped for 2022/23			401.0
		(197.9)	Total DSG after academy and high needs recoupment for 2022/23			(205.4)
		0.0	Plus: brought forward from 2021/22			0.0
		0.0	Less: Carry forward to 2023/24 agreed in advance			0.0
<b>(111.3)</b>	<b>(86.6)</b>	<b>(197.9)</b>	<b>Agreed initial budgeted distribution in 2022/23</b>	<b>(123.4)</b>	<b>(82.0)</b>	<b>(205.4)</b>
0.4	0.0	0.4	In year adjustments	(0.2)	0.0	(0.2)
(110.9)	(86.6)	(197.5)	Final budgeted distribution for 2022/23	(123.6)	(82.0)	(205.6)
126.4	0.0	126.4	Less: Actual central expenditure	129.6	0.0	129.6
0.0	84.3	84.3	Less: Actual ISB deployed to schools	0.0	81.9	81.9
0.0	0.0	0.0	Plus: Local Authority contribution for 2022/23	0.0	0.0	0.0
<b>15.5</b>	<b>(2.3)</b>	<b>13.2</b>	<b>In year carry forward to 2023/24</b>	<b>5.9</b>	<b>0.0</b>	<b>5.9</b>
		0.0	Plus: Carry-forward to 2023/24 agreed in advance			0.0
		0.0	Carry-forward to 2023/24			0.0
		11.1	DSG unusable reserve at the end of 2021/22			24.3
		13.2	Addition to DSG unusable reserve at the end of 2022/23			5.9
		24.3	Total of DSG unusable reserve at the end of 2022/23			30.2
		<b>24.3</b>	<b>Net DSG position at the end of 2022/23</b>			<b>30.2</b>

## Note 36: Grant Income

The Authority credited the following grants and contributions to the Comprehensive Income and Expenditure Statement (CIES):

- (i) Credited to the Taxation and Non Specific Grant Income in the CIES.

2021/22 £m		2022/23 £m
	<b>Revenue:</b>	
0.0	Revenue Support Grant (RSG)	0.0
14.3	Social Care General Grant	19.9
0.0	Services Grant	4.3
2.6	New Homes Bonus Scheme Grant	2.1
15.1	Covid-19 Grant	0.0
32.0		26.3
	<b>Capital:</b>	
	<i>Department for Education:</i>	
16.7	Basic Need	0.0
4.1	Maintenance	0.0
3.6	High Needs Provision	0.0
	<i>Department for Transport:</i>	
7.9	Local Transport Plan - Maintenance	7.9
2.7	Local Transport Plan – Integrated Transport Schemes	2.8
2.0	Maintenance Incentive Element	2.0
7.9	Pothole Funding	7.9
0.0	National Productivity Investment Fund	2.4
	<i>Department for Business, Energy and Industrial Strategy</i>	
3.6	Public Sector Decarbonisation Scheme	0.0
6.6	Section 106 Housing Developer Contributions	14.1
3.6	Other Capital Contributions (below £1m at 31 March 2023)	2.0
58.7		39.1
90.7	<b>Total (Note 14 non ring-fenced government grants and capital grants and contributions)</b>	<b>65.4</b>

## Notes to the Accounts

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

2021/22 £m		2022/23 £m
	<i>Children and Family Services – Education:</i>	
197.5	Dedicated Schools Grant	204.0
5.2	Pupil Premium Grant	5.5
2.1	Asylum Seekers	4.4
2.6	Universal Infant Free School Meals	2.5
0.0	Maintained Schools Supplementary Grant	2.5
0.0	Homes for Ukraine Education Grant	1.9
0.6	Devolved Formula Capital	1.7
1.3	Pupil Premium – Covid Grant	1.5
1.5	Music Grant	1.5
1.1	Troubled Families Programme	1.5
1.6	PE & Sports Grant	1.5
1.0	Children’s Innovation Partnership	1.2
1.0	Adoption Support Fund	1.1
1.3	Domestic Abuse Services Fund	1.1
216.8		231.9
	<i>Adults and Communities – Dept of Health:</i>	
17.2	Improved Better Care Fund	17.7
0.0	Better Care Fund Discharge Grant	2.0
4.7	Skills Funding Agency	4.2
0.0	Market Sustainability Fund	1.6
1.2	Independent living Fund	1.2
23.1		26.7
	<i>Public Health</i>	
25.5	Public Health Grant	26.2
12.4	Covid – Contain Funding	1.7
1.0	Green Homes Grant	2.0
38.9		29.9
	<i>Environment &amp; Transport</i>	
1.2	Bus Service Operators Grant	2.2
1.2	Home to School Transport Grant	0.9
	<i>Corporate Resources</i>	
3.6	Household Support Fund	7.2
	<i>Chief Executives</i>	
0.0	Homes for Ukraine – Guest payment	1.9
0.0	Homes for Ukraine – Sponsor payment	1.1
10.1	REFCUS Capital Grants	32.7
29.1	Other income (below £1m at 31 March 2023) and REFCUS	8.1
<b>324.0</b>	<b>Total</b>	<b>342.6</b>

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

31 March 2022 £m	Short-Term Capital Grants Receipts in Advance:	31 March 2023 £m
0.0	Dept. for Education: High Needs Capital Grant	5.1
0.0	Dept. for Transport: Melton Distributor Road	43.9
4.0	Dept. for Transport: Pothole Funding	3.4
0.0	Dept. for Transport: A511 Major Road Network Grant	2.4
1.9	Section 106 Housing Developer Contributions	3.7
2.6	Other Grants and Contributions	0.8
<b>8.5</b>	<b>Total</b>	<b>59.3</b>



31 March 2022 £m	Long-Term Capital Grants Receipts in Advance:	31 March 2023 £m
78.0	Section 106 Housing Developer Contributions	74.0
78.0	Total	74.0

## Note 37: Related Parties

Details of the total Government grants received are shown in Notes 15 and 36. The employers' contribution paid to the Pension Fund is shown in Note 16. Interests in consortia and other organisations are disclosed in Note 38. Details of the related party transactions with the Eastern Shires Purchasing Organisation (ESPO) are included within Note 38. The Authority is required to disclose material transactions with related parties, bodies or individuals that have the potential to control or influence the Authority or be controlled or influenced by the Authority.

### Central Government

Central Government has significant influence over the general operations of Authority. It is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax). Grants received from government departments are set out in the analysis in Note 36. Grant receipts outstanding at 31 March are also shown in Note 36.

### Members

Members of Leicestershire County Council have direct control over the council's financial and operating policies. The total of members' allowances paid in 2022/23 is shown in Note 33.

The Authority has contracts with voluntary and community sector organisations to the value of less than £0.2m (2021/22, £0.3m), in which 4 members (2021/22, 8 members) have an interest. In addition, payments totalling less than £0.2m have been made during 2022/23 (2021/22, less than £0.2m) to organisations, in which 3 members had a position on the governing body (2021/22, 4 members). In all instances, the payments were made with proper consideration of declarations of interest. The relevant members did not take part in any discussion or decision relating to the payments. Details of all these transactions are recorded in the *Register of Members' Interest*, which is available for public inspection at [www.leicestershire.gov.uk](http://www.leicestershire.gov.uk)

### Officers

During 2022/23, no works and services were procured (2021/22 none) in which senior officer's or their family member had an interest.

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

The Authority has three pooled budget arrangements with local health authorities for the supply of aids for daily living, the Better Care Fund, drugs and alcohol support and the provision of services for adults with learning difficulties. Transactions and balances are detailed in Note 31.

## Note 38: Interests in Other Consortia

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

The Authority is a member of the Eastern Shires Purchasing Organisation involved in the negotiation of contracts for supplies to its members and the provision of a central warehouse for the supply of items in common use. The Authority had an outstanding creditor balance of less than £0.1m (2021/22, less than £0.1m) and an outstanding debtor balance of £0.4m as at 31 March 2023 (2021/22 £0.4m). In 2005, the Authority entered into a 25 year borrowing arrangement of £12.5m on behalf of the constituent members of the consortium to finance the provision of a new warehouse and integrated offices. The loan outstanding as at 31 March 2023 was £3.8m (31 March 2022 £4.3m).

The Authority in effect owns approximately one sixth of ESPO assets and liabilities, which in 2022/23 were net assets of £37.7m (Leicestershire County Council £6.3m). These are not included on the Authority's Balance Sheet. A copy of ESPO's statement of accounts is available from ESPO, Barnsdale Way, Grove Park, Enderby, Leicester. LE19 1ES.

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

The Authority is a constituent member of Leicester, Leicestershire and Rutland Combined Fire Authority. The Authority had an outstanding debtor balance of £0.2m as at 31 March 2023 (2021/22 £0.3m). A copy of the Fire Authority statement of accounts is available from: Leicester, Leicestershire and Rutland Combined Fire Authority at 12 Geoff Monk Way, Birstall, Leicester, LE4 3BU.

## c) East Midlands Shared Services

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

Operations relating to EMSS are carried out at both LCC and NCC premises with LCC being the employing authority and NCC the host authority. In line with the partnership agreement the net expenditure is shared between the two authorities by allocating an equal share of the financial benefits (savings) accruing from the operation of EMSS. This has resulted in a share of net costs for the Authority of 44.9%. EMSS does not separately own any assets or liabilities.

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

Total EMSS 2021/22 £m	Amounts Included in LCC CIES 2021/22 £m		Total EMSS 2022/23 £m	Amounts Included in LCC CIES 2022/23 £m
(1.2)	(1.2)	<b>Income:</b>	(1.8)	(1.8)
(0.5)	(0.0)	Direct external income - LCC	(0.5)	(0.0)
(0.0)	(2.7)	Direct external income – NCC	0.0	(1.4)
(1.7)	(3.9)	NCC share of net LCC direct costs	(2.3)	(3.2)
		<b>Total Income</b>		
6.0	6.0	<b>Expenditure:</b>	5.0	5.0
0.4	0.0	Direct costs incurred by LCC	1.9	0.0
6.4	6.0	Direct costs incurred by NCC	6.9	5.0
4.7	2.1	<b>Total Expenditure</b>	4.6	1.8
		<b>Net Expenditure</b>		

## d) Active Together

Active Together is an active partnership working collaboratively with a range of partners across Leicestershire, Leicester and Rutland, to help communities realise the benefits of a more physically active life. Active Together is funded from different sources including Leicestershire County Council (LCC) and Sport England. LCC is the host Authority and Active Together accounts form a part of the overall Public Health budget. A summary of the income and expenditure specific to Active Together follows:

## Notes to the Accounts

2021/22	Income and Expenditure Category	Sport England	Local Authority	Other Public Sector Income	Non-public Income	2022/23
£m		£m	£m	£m	£m	£m
	<b>Income:</b>					
(2.7)	Revenue Grants	(1.2)	(1.7)	(0.0)	(0.0)	(2.9)
(0.0)	Membership Income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(0.0)	Sponsorship Income	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
(0.4)	Other Income	(0.0)	(0.0)	(0.4)	(0.1)	(0.5)
(0.0)	Enterprise & Innovation	(0.0)	(0.0)	(0.0)	(0.0)	(0.0)
<b>(3.1)</b>	<b>Total Income</b>	<b>(1.2)</b>	<b>(1.7)</b>	<b>(0.4)</b>	<b>(0.1)</b>	<b>(3.4)</b>
<b>£m</b>		<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
	<b>Expenditure:</b>					
1.3	Support costs	0.6	0.8	0.0	0.0	1.4
0.1	Overheads	0.0	0.1	0.0	0.0	0.1
1.0	Get Active	0.4	0.7	0.3	0.0	1.4
0.1	Stay Active	0.1	0.0	0.0	0.0	0.1
0.0	Active Economy	0.0	0.0	0.0	0.0	0.0
0.0	Well Led	0.0	0.0	0.0	0.0	0.0
0.1	Workforce	0.0	0.1	0.1	0.0	0.2
0.2	MarComms	0.0	0.1	0.0	0.0	0.1
0.2	Active Places	0.0	0.0	0.0	0.0	0.0
0.0	Enterprise & Innovation	0.0	0.0	0.0	0.0	0.0
<b>3.0</b>	<b>Total Expenditure</b>	<b>1.1</b>	<b>1.8</b>	<b>0.4</b>	<b>0.0</b>	<b>3.3</b>
<b>(0.1)</b>	<b>Net</b>	<b>(0.1)</b>	<b>0.1</b>	<b>(0.0)</b>	<b>(0.1)</b>	<b>(0.1)</b>
<b>(0.1)</b>	<b>Earmarked Deferred project Expenditure/(Net Deficit Required from Reserves)</b>					<b>(0.1)</b>

### e) Leicestershire County Council Pension Fund

Leicestershire County Council is the administering authority for the purposes of the Leicestershire County Council Pension Fund (the Fund) under the Local Government Pension Scheme (Administration) Regulations 2013. Recharges from the Authority to the Fund for Pension scheme administration, and oversight and governance, totalled £3.2m (2021/22, £2.8m). The majority of transactions for the Fund are processed by the Authority and are recovered from the Fund. At 31 March 2023 the Authority had a debtor with the fund of less than £10,000 (31 March 2022, debtor £1.7m).

It has not been possible to apportion, on a reasonable basis, the costs and benefits of key management personnel between the Council and the Fund. However, Members' Allowances and Officers' Remuneration are disclosed in Notes 32 and 33.

LGPS Central Limited became operational on 1 April 2018. LGPS Central has been established to manage investment assets on behalf of the Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool. The Company aims to use the combined buying power of its Partner Funds to reduce costs, improve investment returns and widen the range of available asset classes for investment for the benefit of local government pensioners, employees and employers.

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

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

## f) Leicester and Leicestershire Business Rates Pool

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

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

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

Authorities are invited to form Pools. For tariff and top-up purposes and also regarding levy and safety net calculations, the Government treats a Pool as if it were a single entity. The Council, Leicester City Council, the Combined Fire Authority and all the Leicestershire District Councils have agreed to operate a pooling agreement for business rates levies and safety net payments, the Leicester & Leicestershire Pool (LLP). The Council is the lead authority for the LLP. A summary of the position for 2022/23 is shown below which shows an overall surplus on the Pool of £17.0m.

2022/23	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	2.2	16.8	22.5	2.9	0.0
Charnwood	4.3	19.7	22.0	1.2	0.0
Harborough	1.8	15.4	22.9	3.7	0.0
Hinckley & Bosworth	2.6	12.2	16.6	2.2	0.0
Melton	1.3	5.7	6.8	0.6	0.0
NW Leicestershire	2.4	20.6	33.0	6.1	0.0
Oadby & Wigston	1.5	5.3	6.0	0.3	0.0
<b>Total</b>	<b>16.1</b>	<b>95.7</b>	<b>129.8</b>	<b>17.0</b>	<b>0.0</b>
<b>2022/23 Net Gain</b>					<b>17.0</b>
Net Gain b/f					24.8
Less allocations in year					(0.0)
<b>Total 31 March 2023</b>					<b>41.8</b>

2021/22	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	2.2	16.8	20.6	1.9	0.0
Charnwood	4.3	19.7	21.2	0.8	0.0
Harborough	1.8	15.4	19.9	2.2	0.0
Hinckley & Bosworth	2.6	12.2	15.2	1.5	0.0
Melton	1.3	5.7	7.0	0.6	0.0
NW Leicestershire	2.4	20.6	32.6	6.0	0.0
Oadby & Wigston	1.5	5.3	6.0	0.3	0.0
<b>Total</b>	<b>16.1</b>	<b>95.7</b>	<b>122.5</b>	<b>13.3</b>	<b>0.0</b>
<b>2021/22 Net Gain</b>					<b>13.3</b>
Net Gain b/f					11.5
Less allocations in year					(0.0)
<b>Total 31 March 2022</b>					<b>24.8</b>

The total of £41.8m as at 31 March 2023 comprises a £2.0m contingency towards future years, with the balance of £39.8m for investment in the wider Leicestershire area, via allocations of one third each to the County Council, Leicester City Council and the seven District Councils. The Authority's accounts include additional NDR income as a result of the pool of £13.3m together with a creditor of £13.3m to Leicester City Council for their share of the Surplus on the pool and a net debtor of £26.5m from the District Councils representing the net position of the levy due from them, in total £39.8m offset by their share of the pool of £13.3m. The £2m contingency is shown in the Authority's accounts as a receipt in advance; £1.4m held on behalf of the Pool members and the balance of £0.6m, the Authority's share, is held as part of the Business Rates Retention Reserve.

### **g) East Midlands Development Corporation**

Leicestershire County Council is one of five East Midlands local authority owners of EM DevCo Ltd. The company is working with partners from business, academia, and government to

- Toton & Chetwynd East Midlands Hub
- Ratcliffe-on-Soar Power Station area
- East Midlands Airport area

The developments cover the size of three Olympic Parks with transformational opportunities around three main growth clusters situated within the borders of Nottinghamshire, Derbyshire and Leicestershire, and close to the core cities of Nottingham, Derby and Leicester. These new plans could create 84,000 jobs and add billions in value to the regional economy. The Net Zero ambitions for future infrastructure developments will ensure local growth, full and productive employment for all, and inclusive communities are created.

During 2022/23 Leicestershire County Council made no contributions to the company. In 2021/22 the County Council contributed £0.5m towards the set up and operational costs of the company.

The draft 2022/23 financial statements for the company report a net balanced position, total assets equal total liabilities.

Further information can be found on the EM DevCo website [www.emdevco.co.uk/about-us](http://www.emdevco.co.uk/about-us)

### **h) East Midlands Freeport**

On the 30<sup>th</sup> March 2023 the East Midlands Freeport (EMF) was granted formal government approval and is now in operation. Leicestershire County Council is the accountable body for EMF.

Freeports are a flagship Government programme that will play an important part in the UK's post Covid economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment and prosperity to some of the most deprived communities, with targeted and effective support. The EMF is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties.

The EMF brings together a mix of industries and collaborating partners, combining public and private sector oversight and expertise from key sectors including logistics, technology, transport and education. Membership of the EMF board comprises of 12 organisations; Leicestershire County Council (Lead Authority), Nottinghamshire County Council, Derbyshire County Council, North West Leicestershire District Council, Rushcliffe Borough Council, South Derbyshire District Council, East Midlands Airport, SEGRO, Maritime Transport, Goodman, Etwall Land Ltd and Uniper UK.

The key funding stream for Freeports is retained business rates. In designated areas 100% of growth in business rate revenues is retained to allow these funds to be invested in the local area rather than a share needing to be returned to central government. In advance of growth, and retained business rates being available, the County Council has agreed to provide a cash flow loan to the EMF to cover set up and operations of up to £4m. This loan is at

commercial rates to ensure the County Council gets an appropriate return on investment. As the accountable body for EMF, the role includes providing support to the Freeport in delivering the objectives set by the Government.

Security of the loan is through over £800m of retained business rates is expected to be generated over 25 years. This is likely to exceed £10m per year from 2027/28 and continue to rise. Repayment of County Council funds is the first call on retained business rates after covering operational costs. Development has already commenced. In addition, the use of retained business rates will be available to supplement developer funding, thereby mitigating adverse impacts of development.

As at 31 March 2023, £1.8m of the loan had been drawn down (£0.7m as at 31 March 2022). No debtor has yet been recorded in the Council's accounts until all of the governance agreements and related documents, including the loan agreement, are finalised. The Council has temporarily funded the loan advance from earmarked reserves.

## Note 39: Capital Expenditure and Capital Financing

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

2021/22 £m		2022/23 £m
232.3	Opening Capital Financing Requirement	214.0
	<b>Capital Investment:</b>	
69.0	Property, Plant and Equipment	52.9
13.7	Revenue Expenditure Funded from Capital under Statute	32.7
0.0	Long Term Investment	8.7
	<b>Sources of Finance:</b>	
(7.1)	Capital Receipts	(1.1)
(69.7)	Government grants and other contributions	(67.6)
(6.0)	Direct revenue contributions	(25.7)
(6.2)	Statutory Minimum Revenue Provision	(6.1)
(12.0)	Additional (Voluntary) Minimum Revenue Provision (N1)	0.0
<b>214.0</b>	<b>Closing Capital Financing Requirement</b>	<b>207.8</b>
	<b>Explanation of Movements in Year</b>	
	Increase in underlying need to borrow:	
0.0	Supported by government financial assistance	0.0
0.0	Unsupported by government financial assistance	0.0
(18.2)	Minimum Revenue Provision (N1)	(6.1)
<b>(18.2)</b>	<b>Increase/(Decrease) in Capital Financing Requirement</b>	<b>(6.1)</b>

(N1) During 2021/22 the Council made £12m additional MRP contributions, funded from revenue & reserve balances, to reduce the capital financing requirement. This reduces the need to borrow, saving future capital financing costs.

## Note 40: Leases

### a) Amounts Paid to Lessors

Finance lease rentals paid to lessors in the year totalled £0.3m (2021/22, £0.3m). Lease rentals paid to lessors during the year in respect of operating leases totalled £2.0m (2021/22 £1.8m).

### b) Amounts Received from Lessees

Lease rentals on Authority owned buildings received from lessees during the year in respect of operating leases totalled £7.6m (2021/22 £8.4m). Expected Lease rentals projected to be received in 2023/24 is £7.5m.

### c) Finance Leased Assets

The Council has four buildings that it uses under finance leases. These assets are carried as Property, Plant and Equipment in the balance sheet, at a value of £0.6m as at 31 March 2023 (31 March 2022 £0.6m).

The Council has a liability to make payments under these leases during 2022/2023 and beyond:

	2021/22			2022/23		
	Finance Lease Principal (NPV) £m	Finance Cost £m	Finance Leases Total £m	Finance Lease Principal (NPV) £m	Finance Cost £m	Finance Leases Total £m
<b>Lease Payments due:</b>						
Within 1 year	0.1	0.2	0.3	0.1	0.2	0.3
2 to 5 years	0.3	0.8	1.1	0.3	0.8	1.1
Over 5 years	0.7	2.7	3.4	0.5	2.5	3.0
<b>Total</b>	<b>1.1</b>	<b>3.7</b>	<b>4.8</b>	<b>0.9</b>	<b>3.5</b>	<b>4.4</b>

## Note 41: Impairment Losses

During 2022/23, the Authority has not recognised any impairment losses (2021/22 nil). However, revaluations downwards of £18.7m (2021/22 £27.4m) have been recognised in the Revaluation Reserve and revaluations downwards of £21.3m (2021/22 £10.8m) have been recognised in the Comprehensive Income and Expenditure Statement. There have also been reversal of historical downwards revaluations of £3.5m (2021/22 £6.1m) in the Comprehensive Income and Expenditure Statement.

## Note 42: Termination Benefits

Termination benefits arise when employment is terminated by the Authority before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Authority recognises termination benefits as a liability and an expense if the Authority is demonstrably committed to a detailed formal plan without realistic possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, termination benefits are measured based on the number of employees expected to accept the offer. The total termination benefits for 2022/23 are £0.7m (2021/22 £0.6m).



## Note 43: Contingent Liabilities

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

The latest financial information for MMI, as disclosed in their Accounts for the year to 30 June 2023, shows a balanced position. As a result, the scheme administrators do not intend to request any additional contributions. However, it should be noted that there is a contingent liability for any additional deficit due to the uncertainty of the value of incurred but not reported (IBNR) claims. A reserve has been established to reduce the risk to the Authority of any further liabilities under the MMI scheme of arrangement and in respect of any other uninsured losses.

## Note 44: Nature and Extent of Risks Arising from Financial Instruments

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

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

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

### (i) Credit risk

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

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

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

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

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

### Matrix for UK Banks and Building Societies

Maximum Sum Outstanding	£70m	£50m	£30m
Maximum Loan Period	1 year	1 year	6 months
General Description	'Special Instructions' (i.e. significant element of UK-Government ownership) and included in Link list for period of 1 year or more	Not 'special instructions' and included in Link list for period of 1 year or more	Included in Link list for period of 6 months

### Matrix for Overseas Banks

Maximum Sum Outstanding	£20m	£10m
Maximum Loan Period	1 year	6 months
Minimum Fitch Ratings	Included in Link list for period of 1 year or more	Included in Link list for period of 6 months

A maximum of £50m can be invested with all banks domiciled within a single country (note: there is no limit for total lending to UK financial institutions)

### Other UK Local Authorities

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

### Money Market Funds

AAA-rated only

Maximum amount in any single fund = £30m

Maximum amount in all Money Market Funds = £125m

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

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

### Exposure to Credit Risk

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies is 100% of its investments, but this cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2023 that this was likely to crystallise.

No credit limits were exceeded during the reporting period and the Authority does not expect any losses from non-performance by any of its counterparties in relation to deposits.

The Authority does not generally allow credit for customers. The past due but not impaired Sales ledger debt can be analysed by age as follows:

2021/22 £m		2022/23 £m
25.8	Less than three months	22.0
3.9	Three to six months	3.3
4.7	Six months to one year	4.0
7.6	More than one year	11.0
<b>42.0</b>	<b>Total</b>	<b>40.3</b>

In respect of the above sales ledger debt, the Authority has made a credit loss allowance of £11.6m for potential doubtful debts.

## (ii) Liquidity risk

The Authority has a record of expected cash flows which is used to ensure that cash is available as needed. If unexpected movements happen, the Authority has ready access to borrowings from the money markets and the Public Works Loans Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Instead, the risk is that the Authority will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The Authority sets limits on the proportion of its fixed rate borrowing during specific periods. The strategy is to ensure that not more than 50% of loans are due to mature within any rolling five-year period through a combination of careful planning of new loans taken out and (where it is economic to do so) making early repayments.

The maturity analysis of financial liabilities is as follows:

31 March 2022 £m		31 March 2023 £m
	<b>Analysis of Loan Maturity Profile:</b>	
3.7	Less than 1 year	3.7
3.7	<b>Total Short Term Loans by Maturity</b>	3.7
1.0	Between 1 and 2 years	5.8
6.5	Between 2 and 5 years	1.7
1.6	Between 5 and 10 years	1.1
0.3	Between 10 and 15 years	0.3
0.4	Between 15 and 20 years	0.4
23.7	Between 20 and 25 years	45.8
58.2	Between 25 and 30 years	71.4
109.5	Between 30 and 35 years	84.1
9.9	Between 35 and 40 years	0.1
20.1	Between 40 and 45 years	20.1
33.5	Greater than 45 years	33.5
264.7	<b>Total Long Term Loans by Maturity</b>	264.3
<b>268.4</b>	<b>Total Loans by Maturity</b>	<b>268.0</b>

All trade and other payables are due to be paid in less than one year.

## (iii) Market risk

### Interest rate risk

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

- Borrowings at variable rates – the interest expense charged to the Surplus or Deficit on the Provision of services will rise
- Borrowings at fixed rates – the fair value of the liabilities borrowings will fall
- Investments at variable rates – the interest income credited to the Surplus or Deficit on the Provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus and Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate

investments that have a quoted market price will be reflected in the Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. Policy is to aim to keep a maximum of 50% of its borrowings in variable rate loans. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

The treasury management team has an active strategy for assessing interest rate exposure that feeds into the setting of the annual budget and which is used to update the budget quarterly during the year. This allows any adverse charges to be accommodated. The analysis will also advise whether new borrowing is taken out as fixed or variable.

According to this assessment strategy, at 31 March 2023, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£m
Increase in interest payable on variable rate borrowings	N/A
Increase in interest receivable on variable rate investments	3.8
Increase in government grant receivable for financing costs	0.0
<b>Impact on Surplus or Deficit on the Provision of Services</b>	<b>3.8</b>
Decrease in fair value of fixed rate investment assets	(1.6)
<b>Impact on Other Comprehensive Income and Expenditure</b>	<b>(1.6)</b>
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the provision of Services or Other Comprehensive Income and Expenditure)	(42.0)

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

### Price risk

The authority does not generally invest in equity shares but does have investments to the value

of £75m in private debt, pooled investment funds and capital release funds. The authority is consequently exposed to gains and losses arising from movements in the valuation of these investments. The authority actively manages these investments in a way to limit its exposure to price movements by diversifying its portfolio. These investments are classified at fair value through profit or loss, meaning that all movements in valuation will impact on gains and losses recognised in the surplus of deficit on the provision of services. A change of 1% in the valuations of the investments (positive or negative) would have resulted in a £0.75m gain or loss being recognised in the surplus of deficit on the provision of services as at 31 March 2023. **Foreign exchange risk**

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

## Note 45: Self-Insurance

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

Deductible per Claim	
	£
Fire	500,000
Public/Employers' liability	425,000
Fidelity guarantee	100,000
Motor	1,250

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

## Note 46: Trust Funds (excluded from the Balance Sheet)

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

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

To the extent that income from these investments has not been utilised for prizes etc., the surplus funds are invested in short term deposits with various financial institutions. The main trust funds are as follows:

	Balance at 31 March 2022 £m	Income £m	Expenditure £m	Balance at 31 March 2023 £m
<b>Trust Funds:</b>				
Bradgate Park & Swithland Wood Charity *	1.7	1.9	(1.6)	2.0
Kibworth High School Endowment	0.3	0.1	(0.0)	0.4
Others	0.3	0.0	(0.0)	0.3
<b>Total Trust Funds</b>	<b>2.3</b>	<b>2.0</b>	<b>(1.6)</b>	<b>2.7</b>

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

## **Note 47: Accounting Policies**

### **1. General Principles**

The Statement of Accounts summarises the Authority's transactions for the 2022/23 financial year and its position at the year-end of 31 March 2023. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting (the 'Code') in the UK 2022/23 supported by International Financial Reporting Standards (IFRS) and statutory guidance issued under section 12 of the Local Government 2003 Act.

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

In preparing the Statement of Accounts it is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

### **2. Provisions**

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

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

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

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

### **3. Reserves**

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

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

#### **a) Revenue**

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

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

**b) Capital**

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

**Revaluation Reserve**

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

**Capital Adjustment Account**

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

**Deferred Capital Receipts Reserve**

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

**Capital Receipts Reserve and Capital Grants Unapplied**

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

**c) Other**

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

**Financial Instruments Adjustment Account**

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

**Pensions Reserve**

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

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

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



#### **4. Cash and Cash Equivalents**

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

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

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

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

#### **6. Non- Current Assets**

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

##### **Recognition:**

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

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

The Authority does not capitalise borrowing costs incurred whilst assets are under construction. Some categories of Non-Current Assets are revalued on the basis recommended by the COPLAA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by the Royal Institution of Chartered Surveyors (RICS).

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

##### **▪ Intangible Assets**

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

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

Valuation is carried out on a selective on-going basis such that all assets are revalued at least once every five years, and on completion of a capital scheme above £100,000. In addition, the top twenty valued assets are valued each year. Assets under Construction (AUC) that become operational in year are held at historic cost and re-classified to their relevant asset category at the balance sheet date, with a subsequent valuation taking place in the following financial year. Valuations are carried out by qualified Chartered Surveyors, who are also Registered valuers. Assets Held for Sale are revalued within the year to ensure the open market value is accurate.

The current asset values used in the accounts are based on a certificate issued by the Authority's Strategic Property Manager as of 1 October 2022. Additions since that date are included in the accounts at their cost of acquisition. The addition is then reviewed, and if the actual capital expenditure does not increase the asset valuation or if the expenditure is less than the Authority's £100,000 capital de-minimis level then this value will be recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not adding value.

- **Land and Buildings – Schools:** the Code confirms that local authority maintained schools (and the governing bodies thereof) are to be treated as entities for control purposes, and that the transactions of said schools shall be consolidated into the local authority single entity financial statements. Non-current assets attributed to schools are therefore recognised in the Authority's balance sheet, subject to the Authority (or the school's governing body) having control over the asset and it being probable that future service potential will flow to the Authority (or to the school). The Authority therefore recognises the non-current assets of its maintained community and voluntary controlled schools on its balance sheet. The balance of control and service potential is considered to reside with independent trustees for foundation and voluntary aided schools, and so these assets are not consolidated into the Authority's balance sheet (the Council retains the statutory responsibility for land at voluntary aided schools, so this is recognised as an asset of the Authority). A number of schools in the County now hold academy status. Academies are managed completely independently of the Authority, and funding is provided directly by central government. Whilst the Authority retains the freehold of the land, premises are leased to the academy on a finance-lease basis (for a 125 year term). Therefore academy buildings are derecognised from the Authority's balance sheet, and land is retained at a nominal value reflecting its restricted use.
- **Vehicles, Plant, Furniture and Equipment:** valuation is based on depreciated historical cost for all assets with an original cost in excess of £20,000, with the exception of Leicestershire Highways who occasionally capitalise assets under £20,000. Additions below the £20,000 de-minimis level are then recognised in the Comprehensive Income and Expenditure Statement as capital expenditure not increasing in value.
- **Infrastructure Assets:** include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network. 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 associated with the item will flow to the authority and the cost of the item can be measured reliably. 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 1 April [1994 England and Scotland] [1996 Wales], which was deemed at that time to be historical cost.
- **Community Assets** are assets that the Authority is likely to keep in perpetuity for the benefit of local people, e.g. country parks and reclaimed land. Such assets are valued at nominal values for assets acquired prior to 1994 and historical cost thereafter.
- **Assets Under Construction** are based on actual payments made to date.

- **School Buildings** are held at current value but because of their specialist nature are measured at depreciated replacement cost.
- **Surplus Assets** are surplus to service requirements. The current value measurement base is fair value, estimated at highest and best use from the market participant's perspective.
- **Assets Held for Sale** are assets that are actively being marketed for sale, the asset sale is highly probable, and the sale is expected within 12 months. An asset is classed as held for sale when the carrying value will be principally recovered through a sale transaction rather than through its continuing use. The asset is revalued immediately on an open market basis and any loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement.

### Componentisation

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

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

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

### Revaluation of Assets

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

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

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

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

When a component of infrastructure assets are 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.

### Impairment of Assets

Assets are assessed at each year end as to whether there is any indication that an asset may be impaired. Where indications exist, and any possible differences are estimated to be material, the recoverable amount of the asset is

estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall. Where impairment losses are identified, they are accounted for by:

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

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

## **7. Heritage Assets**

The Authority's Heritage Assets are held in the Authority's museums and other cultural sites. Heritage Assets are categorised into 7 collections, which are held primarily to increase the knowledge, understanding and appreciation of the Authority's history and local area. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Authority's accounting policies on Property, Plant and Equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets as detailed below. The Authority's collections of Heritage Assets are as follows;

- Historic Buildings
- The Museum Art Collection
- The Art Works Collection
- The Archaeological Collection
- The Fashion Collection
- The Working Life Collection
- The Civic Collection

### **Heritage Assets – General**

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

## **8. Leases**

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

Where a lease covers both land and buildings, the land and buildings elements are considered separately for classification. Arrangements that do not have the legal status of a lease but convey the right to use an asset in return for payment are accounted for under this policy where fulfilment of the arrangement is dependent on use of specific assets.

### **Authority as a Lessee:**

#### **Finance Leases:**

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

- Lease transfers ownership at the end of the term.
- Lessee has option to purchase asset at price lower than fair value.

- Lease term is major part of economic life of the asset.
- Present value of minimum lease payments is substantially all of the fair value of the asset.
- Leased assets are so specialised in nature that only the lessee can use them without major modifications.

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

#### Operating Leases:

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

#### The Authority as Lessor:

#### Finance Leases:

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

#### Operating Leases:

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

## 9. Revenue Expenditure Funded From Capital Under Statute

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

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

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

### a) Depreciation

Depreciation is provided on all property, plant and equipment by the systematic allocation of their depreciable amounts over their useful lives. Buildings are depreciated over their remaining useful economic lives as assessed by the property valuer, with no allowance for a residual value. Assets are depreciated using the straight line method over the following periods:

- **Intangible Assets** – 5 years
- **Buildings** - varies from asset to asset (the remaining useful economic life of each asset is reviewed at the same time as the revaluation is completed, new builds are usually estimated to have a useful life of 70 years).
- **Infrastructure** - useful lives of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of the highways network	Useful Life (years)
Carriageways	25
Footways and cycle tracks	25
Structures (bridges)	100

## Notes to the Accounts

Street lighting	40
Street furniture	25
Traffic management systems	20

- **Vehicles, Plant, Furniture and Equipment** - estimated useful life (averaging around 5 years).
- **Components** - will vary between 20 – 50 years for new components/blocks

Land, community assets, assets under construction, surplus assets and assets held for sale - are held at cost or market value or have an indefinite life and are not depreciated.

Where an item of property, plant and equipment has major components whose cost is significant in relation to the total cost of the asset, the components are depreciated separately. No depreciation is charged in the year of acquisition, whereas a full year's depreciation is charged in the year of disposal.

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

### b) Revaluation and Impairment

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

### c) Amortisation

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

## 11. Capital Receipts

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

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

## 12. Accruals of Income and Expenditure

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

- Revenue from contracts, whether for services or the provision of goods, is recognised when the goods or services are transferred to the recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed. Where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

### **13. Government Grants**

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

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

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

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

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

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

### **14. Inventories and Long-Term Contracts**

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

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

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

### **15. Financial Instruments**

Financial instruments are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument. They are classified based on the business model for holding the instruments and their expected cashflow characteristics.

#### **Financial Liabilities**

Financial liabilities are initially measured at fair value and subsequently measured at amortised cost. For the Council's borrowing this means that the amount presented in the Balance Sheet is the outstanding principal



repayable (plus accrued interest). Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument.

Loans at stepped interest rates (LOBO's) are recorded at fair value with interest charged to the Comprehensive Income and Expenditure Statement calculated at the effective rate of interest, which discounts estimate future cash payments over the life of the instrument (essentially an average rate for the expected duration of that loan), rather than the cash paid in a year.

Statutory regulations enable the Authority to negate the additional interest arising on LOBO's (if loan arranged before November 2007) by posting a reversal within the Movement in Reserves Statement to the Financial Instruments Adjustment Account.

#### ■ **Financial Assets**

Financial assets are classified into one of three categories:

- I. Financial assets held at amortised cost. These represent loans and loan-type arrangements where repayments or interest and principal take place on set dates and at specified amounts. The amount presented in the Balance Sheet represents the outstanding principal received plus accrued interest. Interest credited to the CIES is the amount receivable as per the loan agreement.
- II. Fair Value Through Other Comprehensive Income (FVOCI). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are accounted for through a reserve account, with the balance debited or credited to the CIES when the asset is disposed of.
- III. Fair Value Through Profit and Loss (FVTPL). These assets are measured and carried at fair value. All gains and losses due to changes in fair value (both realised and unrealised) are recognised in the CIES as they occur.

Allowances for impairment losses have been calculated for amortised cost assets, applying the expected credit losses model. Changes in loss allowances (including balances outstanding at the date of derecognition of an asset) are debited/credited to the Financing and Investment Income and Expenditure line in the CIES. Changes in the value of assets carried at fair value are debited/credited to the Financing and Investment Income and Expenditure line in the CIES as they arise.

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

#### ■ **Soft Loans**

Under certain criteria the Authority provides loans to foster parents and to older people with physical disabilities. These loans are interest free. The total value is considered to be immaterial to the Authority's accounts; therefore, these loans have not been revalued on a fair value basis in accordance with the Code.

## **16. Employee Benefits**

#### ■ **Benefits Payable During Employment**

Short term employee benefits are those due to be settled wholly within 12 months of the year end. They include such benefits as; wages, salaries, paid annual leave, paid sick leave and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year the employees render services to the Authority. An accrual is made for the cost of holiday entitlements, outstanding flexi leave and Time Off in Lieu earned by employees but not taken before the year-end, which employees can carry forward into the following financial year. The accrual is made at the wage and salary rates applicable in the following accounting



year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services within the Comprehensive Income and Expenditure Statement but then reversed out through the Movement in Reserves Statement so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

#### ■ **Termination Benefits**

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. Redundancy costs are recognised on an accruals basis in the Comprehensive Income and Expenditure Statement against the appropriate service line at the earlier of when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises the costs for a restructuring.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the Pension Fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for enhanced pension benefits and replace them with the debits for the cash paid to the Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

#### ■ **Post-Employment Benefits**

##### **Pension Schemes**

Employees of the Authority are members of two separate pension schemes:

- The Local Government Pensions Scheme (LGPS) (administered by the Authority)
- The Teachers' Pension Scheme (administered by Capita Teacher's Pensions on behalf of the Department for Education)

Both schemes provide defined benefits to members (retirement lump sums and pensions) earned as employees work for the Authority.

However, the arrangements for the teachers' scheme mean that liabilities for these benefits cannot ordinarily be identified specifically to the Authority. The scheme is therefore accounted for as if it were a defined contribution scheme and no liability for future payments of benefits is recognised in the Balance Sheet. The Children and Family Services line in the Comprehensive Income and Expenditure Statement is charged with the employer's contributions payable to Teachers' Pensions in year

##### **The Local Government Pension Scheme**

The Local Government Scheme is accounted for as a defined benefits scheme. The liabilities of the scheme attributable to the Authority are included in the Balance Sheet on an actuarial basis using the 'projected unit method'. This is based on an assessment of future payments that will be made in relation to retirement benefits earned to date by employees and assumptions about mortality rates, employee turnover and projected earnings for current employees.

Liabilities are discounted to their value at current prices using a discount rate as shown in the assumptions in Note 16 to the accounts. The assets of the fund attributable to the Authority are included in the Balance Sheet at fair value:

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

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

- **Service Cost comprising:**

- **Current service cost** - the increase in liabilities as a result of years of service earned this year - allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked.
- **Past service cost** - the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years- debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement.
- **Net interest on the net defined benefit liability (asset)** - e.g. net interest expense for the Authority - the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. This is calculated by applying the discount rate used to measure the defined benefit obligation at the beginning of the period to the net defined liability (asset) at the beginning of the period, taking into account any changes in the net defined benefit liability (asset) during the period as a result of contribution and benefit payments.

- **Remeasurements comprising:**

- **The return on plan assets** - excluding amounts included in net interest on the net defined benefit liability (asset) - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- **Actuarial gains and losses** - changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions - charged to the Pension Reserve as Other Comprehensive Income and Expenditure.
- **Contributions paid to the Pension Fund** - cash paid as employer's contributions to the Pension Fund in settlement of liabilities; not accounted for as an expense.

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

- **Discretionary Benefits**

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

## 17. Value Added Tax (VAT)

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

## 18. Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Authority.

Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

## **19. Contingent Assets**

A contingent asset arises where an event has taken place that gives the Authority a possible asset whose existence of such an asset will only be confirmed by the occurrence of uncertain future events not wholly within the control of the Authority. Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

## **20. Events after the Reporting Period**

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the statement of accounts is authorised for issue. Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the end of the reporting period - the Statement of Accounts is adjusted to reflect such events.
- b) Those that are indicative of conditions that arose after the reporting period - the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

## **21. Collection Fund Adjustment Account**

The Authority is a precepting authority who levies a precept on the collection funds of billing authorities (District/Borough Councils).

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors and, as principals, collecting council tax and NDR for themselves. Billing Authorities are required by statute to maintain a separate fund for the collection and distribution of amounts due in respect of council tax and NDR income. Under the legislative framework all parties to the collection fund share proportionately the risks and rewards that the amount of council tax and NDR collected could be less than or more than predicted.

The council tax and NDR income for the year credited to the collection fund is the accrued income for the year. Regulations determine when it should be released from the collection fund and transferred to the General Fund of the billing authority or paid out of the collection funds to the major preceptors, (and central government for NDR) and in turn credited to their General Fund.

The difference between the income included in the CIES and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and is included as a reconciling item in the Movement in Reserves Statement.

Since the collection of council tax and NDR income is in substance an agency arrangement, the cash collected by the billing authority from council tax and NDR debtors belongs proportionally to the billing authority and the major preceptors (and Central Government for NDR). There will therefore be a debtor / creditor position between the billing authority and each major preceptor (and Central Government) to be recognised since the net cash paid to each major preceptor in the year will not be its share of cash collected from council tax and non-domestic rates payers.

## **22. Schools**

The Code of Practice on Local Authority Accounting in the UK confirms that the balance of control for Local Authority maintained schools (those categories of school identified in the School Standards Framework Act 1998, as amended) lies with the Authority. The Code also stipulates that those schools' assets, liabilities, reserves and cash flows are recognised in the Local Authority financial statements. Therefore, schools' transactions, cash flows and balances are recognised in each of the financial statements of the Authority as if they were the transactions, cash flows and balances of the Authority. The Authority does not recognise, in the case of Voluntary Aided (VA) or Voluntary Controlled (VC) schools, any land or building assets controlled and owned by the church diocese.

## 23. Investment Properties

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if the property is used to facilitate the delivery of services, production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset, investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at year-end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation, gains and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for proceeds in excess of £10,000) to the Capital Receipts Reserve.

## 24. Joint Operations

Joint operations are arrangements where the parties that have joint control of the arrangement have the rights to the assets and obligations for the liabilities relating to the arrangement. The activities undertaken by the Authority in conjunction with other operators involve the use of the assets and resources of those joint operators. In relation to its interest in a joint operation, the Authority as a joint operator recognises:

- its assets, including share of assets held jointly;
- its liabilities, including share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output;
- its share of the revenue from the sale of the output by the joint operation;
- its expenses, including its share of any expenses incurred jointly.

## 25. Fair Value Measurement

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

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

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

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

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

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

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

## Statement of Responsibilities for the Statement of Accounts

### THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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



**MR. L. BRECKON**  
**CABINET LEAD MEMBER FOR CORPORATE RESOURCES**  
**24 MAY 2024**

### THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

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

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

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

I certify that the Statement of Accounts has been prepared in accordance with proper practices and presents a true and fair view of the financial position of Leicestershire County Council and its income and expenditure for the year ended 31 March 2023.



**D KEEGAN**  
**DIRECTOR OF CORPORATE RESOURCES**  
**24 MAY 2024**

# Leicestershire County Council Pension Fund Accounts 2022/23

(Registration number: 00328856RQ)

## Introduction

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

## General

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

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

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

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

## Membership

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

Organisations participating in the fund include the following:

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

Membership details are set out below:

	31-Mar-22	31-Mar-23
<b>Number of active employers*</b>	195	189
<b>Number of employees in the scheme (Actives)</b>		
County Council	8,554	8,596
Other employers	28,585	30,227
<b>Total</b>	<b>37,139</b>	<b>38,823</b>
<b>Number of pensioners</b>		
County Council	11,962	12,126
Other employers	19,435	20,434
<b>Total</b>	<b>31,397</b>	<b>32,560</b>
<b>Deferred pensioners</b>		
County Council	9,791	9,853
Other employers	20,913	21,958
<b>Total</b>	<b>30,704</b>	<b>31,811</b>
<b>Total number of members in the pension scheme</b>	<b>99,240</b>	<b>103,194</b>

\*This figure has been restated from 2021/22 to only include active employers in the scheme (defined as employers with one or more actively contributing employees).

### Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the Local Government Pension Scheme Regulations 2013 and range from 5.5% and 12.5% of pensionable pay for the financial year ending 31 March 2023. Employers contributions are set based on triennial actuarial funding valuations. In 2022/23 the average employer rate was 26.3% of pay (25.6% 2021/22).

### Benefits

Prior to 1 April 2014, pension benefits under the LGPS were based in final pensionable pay and length of pensionable service. From 1 April 2014, the scheme became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49<sup>th</sup>. Accrued pension is updated annually in line with the Consumer Prices Index. A range of other benefits are also provided including early retirement, disability pensions and death benefits, as explained on the LGPS website, <https://www.leicestershire.gov.uk>.

## Fund Account for the Year Ended 31 March 2023

2021/22 £m		Notes	2022/23 £m
	<b>Contributions</b>		
(192.5)	Employer Contributions	6	(212.0)
(47.0)	Member Contributions	6	(50.2)
(9.9)	Transfers in from Other Pension Funds	7	(12.4)
<b>(249.4)</b>	<b>Total Contributions</b>		<b>(274.6)</b>
	<b>Benefits</b>		
137.3	Pensions	8	146.5
34.2	Commutation of Pensions and Lump Sum Retirement Benefits	8	37.8
5.7	Lump Sum Death Benefits		4.1
17.4	Payments to and on Account of Leavers	9	13.6
<b>194.6</b>	<b>Total Benefits</b>		<b>202.0</b>
<b>(54.8)</b>	<b>Net (Additions)/Withdrawals from Dealings with Members</b>		<b>(72.6)</b>
42.5	Management Expenses	10	54.5
<b>(12.3)</b>	<b>Net (Additions)/Withdrawals Including Fund Management Expenses</b>		<b>(18.1)</b>
	<b>Returns on investments</b>		
(43.6)	Investment income	11	(43.8)
(551.9)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	12	77.6
<b>(595.5)</b>	<b>Net Returns on Investments (Sub Total)</b>		<b>33.8</b>
<b>(607.8)</b>	<b>Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year</b>		<b>15.7</b>
	Net assets of the scheme		
(5,182.2)	Opening		(5,790.0)
<b>(5,790.0)</b>	<b>Net assets of the scheme Closing</b>		<b>(5,774.3)</b>

## Net Assets Statement as at 31 March 2023

2021/22 £m		Notes	2022/23 £m
5,771.2	Investment assets	12	5,751.4
(0.7)	Investment liabilities	12	(0.1)
<b>5,770.5</b>			<b>5,751.3</b>
25.4	Current Assets	15	26.7
(5.9)	Current Liabilities	15	(3.8)
<b>5,790.0</b>	<b>Net Assets of the Fund at 31 March</b>		<b>5,774.2</b>



The financial statements summarise the transactions of the Fund and deal with the net assets at the disposal of the Council. They do not take account of obligations to pay pensions and benefits which fall due after the end of the Fund year. The actuarial position on the Scheme, which does take account of such obligations, is set out in the Actuary's Report.

The notes on pages 83 to 107 form part of the Financial Statements.

## **Notes to the Accounts**

### **1. Basis of Preparation**

The Statement of Accounts summarises the Fund's transactions for the 2022/23 financial year and its position as at 31 March 2023. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The Code requires disclosure of any accounting standards issued but not yet adopted. No such accounting standards have been identified for 2022/23.

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

The Accounts have been prepared on a going concern basis.

### **2. Accounting Policies**

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

#### **Fund Account – Revenue Recognition**

##### **Contribution Income**

Normal contributions are accounted for on an accruals basis as follows:

- Employee contribution rates are set in accordance with LGPS regulations, using common percentage rates for all schemes which rise according to pensionable pay.
- Employer contributions are set at the percentage rate recommended by the fund actuary for the period to which they relate.

Employer deficit funding contributions are accounted for on the basis advised by the fund actuary in the rates and adjustment certificate issued to the relevant employing body. Additional employers' contributions in respect of ill-health and early retirements are accounted for in the year the event arose. Any amount due in the year but unpaid will be classed as a current financial asset.

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

Transfers in and out relate to members who have either joined or left the fund. Individual transfers in/out are accounted for when received or paid. Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis and are included in Transfers In, shown in Note 7. Bulk (group) transfers are accounted for in accordance with the terms of the transfer agreement.

### Investments

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

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

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

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

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

## Fund Account – Expense Items

### Benefits Payable

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

### Taxation

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

### Management Expenses

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

Investment management expenses are charged directly to the Fund as part of management expenses and are not included in, or netted off from, the reported return on investments. Where fees are netted off quarterly valuations by investment managers, these expenses are shown separately in Note 10A and grossed up to increase the change in value of investments.

Fees of the external investment managers and custodian are agreed in the respective mandates governing their appointments. Broadly, these are based on the market value of the investments under their management and therefore increase or reduce as the value of these investments change.

## Net Assets Statement

### Investments

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

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

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

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

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

### Foreign Currencies

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

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

### Cash and Cash Equivalents

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

### Financial Assets

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

### Financial Liabilities

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

### Actuarial Present Value of Promised Retirement Benefits

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

### Additional Voluntary Contributions

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

### Contingent Assets and Contingent Liabilities

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

A contingent liability arises where an event has taken place prior to the year end giving rise to a possible financial obligation whose existence will only be confirmed or otherwise by the occurrence of future events. Contingent liabilities

can also arise in circumstances where a provision would be made, except that is not possible at the balance sheet date to measure the value of the financial obligation reliably.

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

#### Directly Held Property

The fund's property portfolio includes a number of directly owned properties which are leased commercially to various tenants. The fund has determined that these contracts all constitute operating lease arrangements under IAS 17 and the Code, and therefore the properties are retained on the net assets statement at fair value. Rental income is recognised in the fund account on a straight line basis over the life of the lease.

### 3. Critical Judgements in Applying Accounting Policies

It has not been necessary to make any material critical judgements in applying the accounting policies.

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

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

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Private Equity Investments	Private equity investments are valued at fair value. Investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Private equity investments are valued at £423m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £21m
Freehold, Leasehold Property and Pooled Property Funds	Valuations techniques are used to determine the carrying amount of pooled property funds and directly held freehold property. Where possible these valuation techniques are based on observable data but where this is not possible management uses the best available data.	The carrying value of all property held by the fund is £408m. Changes in the valuation assumptions used, together with significant changes in rental growth, vacancy levels or the discount rate could affect the fair value of property based investments. If this was under or over stated by 5% the value of the investment would increase or decrease by £20m.
Pooled Bond and Debt Funds (including Private Debt Funds)	Pooled bond and debt funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management uses the best data available. Private debt funds are valued in accordance with each investment managers valuation policy. These investments are not publicly listed and as such there is a degree of estimation involved in the valuation.	Pooled bond and debt funds are valued at £510m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £26m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
Infrastructure Investments	Infrastructure funds are valued in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable data but where it is not possible management uses the best data available.	Infrastructure funds are valued at £471m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £24m
Timberland Investment	Investments are carried at net asset value as determined by the General Partner. In most cases fair value is derived from the audited financial statements provided by an underlying fund manager. In circumstances where audited financial statements are not available, the valuations are then derived from unaudited quarterly reports.	Timberland funds are valued at £126m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £6m
Pooled Targeted Return Funds	Pooled targeted return funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management uses the best data available	Pooled targeted return funds are valued at £144m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £7m
Pooled commodity funds	Pooled commodity funds are valued on a net asset basis in accordance with each investment managers valuation policy. Where possible these valuation techniques are based on observable market data but where it is not possible management relies on the best data available	Pooled commodity funds are valued at £21m in the financial statements. There is a risk that this investment may be under or overstated in the accounts. If this was under or over stated by 5% the value of the investment would increase or decrease by £1m

## 5. Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 24 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date provided information about conditions existing at 31 March 2023, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information (where known). There are no material events after the reporting date that would require an adjustment or additional disclosure to the accounts.

## 6. Contributions

2021/22 £m		2022/23 £m
	<b>Employers</b>	
179.9	Normal	197.7
9.2	Deficit Repair	11.3
1.4	Advanced payments for early retirements	1.5
2.0	Additional payments for ill-health retirements	1.5
	<b>Members</b>	
46.5	Normal	49.9
0.5	Purchase of additional benefits	0.3
<b>239.5</b>	<b>Total</b>	<b>262.2</b>

Additional payments for early retirements are paid by employers, once calculated and requested by the Fund, to reimburse the Pension Fund for the cost to the Fund of employees who are allowed to retire before their normal retirement age. Additional payments for ill-health retirements are generally paid by the insurance company, where the employer has taken out ill-health insurance and the claim has been accepted as valid.

On occasions employers without ill-health insurance are charged for at least part of the ill-health costs. Purchase of additional benefits by members allows either extra service to be credited on top of any service earned via employment or an additional annual pension amount in cash to be paid following retirement. Termination valuation payments relate to the actuarially assessed deficit within an employer's sub-fund when their last active employee leaves.

The contributions can be analysed by the type of Member Body as follows:

2021/22 £m		2022/23 £m
59.1	Leicestershire County Council	64.6
170.0	Scheduled bodies	186.6
10.4	Admitted bodies	11.0
<b>239.5</b>	<b>Total</b>	<b>262.2</b>

## 7. Transfers In

2021/22 £m		2022/23 £m
9.2	Individual transfers in from other schemes	12.4
0.7	Bulk transfers in from other schemes	0.0
<b>9.9</b>	<b>Total</b>	<b>12.4</b>

## 8. Benefits

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

2021/22 £m		2022/23 £m
59.8	Leicestershire County Council	62.4
108.4	Scheduled bodies	118.6
9.0	Admitted bodies	7.4
<b>177.2</b>	<b>Total</b>	<b>188.4</b>

## 9. Payments to and on Account of Leavers

2021/22 £m		2022/23 £m
0.8	Refunds to members leaving the scheme	0.9
13.3	Individual transfers to other schemes	12.7
3.3	Bulk transfers to other schemes	0.0
<b>17.4</b>	<b>Total</b>	<b>13.6</b>

## 10. Management Expenses

2021/22 £m		2022/23 £m
39.7	Investment Management Expenses (Note 10A)	51.3
1.9	Pension Scheme Administration Costs	2.1
0.9	Oversight and Governance Expenses	1.1
<b>42.5</b>	<b>Total</b>	<b>54.5</b>

### 10a. Investment Management Expenses

2021/22 £m		2022/23 £m
23.9	Management Expenses	24.5
5.9	Transaction Costs	8.0
9.9	Performance Related Fees	18.8
<b>39.7</b>	<b>Total</b>	<b>51.3</b>

## 11. Investment Income

2021/22 £m		2022/23 £m
1.6	Dividends from equities	1.8
0.2	Income from Government Bonds	0.7
1.2	Income from index-linked securities	1.3
31.8	Income from pooled investment vehicles	29.7
5.7	Net rents from properties	5.9
0.1	Interest on cash or cash equivalents	2.3
3.0	Net Currency Profit / (Loss)	2.1
<b>43.6</b>	<b>Total</b>	<b>43.8</b>

## 11a. Property Income

2021/22 £m		2022/23 £m
5.8	Rental income	6.7
(0.1)	Direct operating expenses	(0.8)
<b>5.7</b>	<b>Total</b>	<b>5.9</b>

No contingent rents have been recognised as income during the period.

## 12. Investments

	Value at 1 April 2022 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2023 £m
Equities	46.0	23.8	(47.3)	(1.6)	20.9
Government Bonds	8.5	90.3	(73.2)	(2.0)	23.5
Index-linked securities	280.8	220.1	(163.7)	(72.2)	265.1
Pooled investment vehicles	5,121.8	435.6	(406.1)	55.6	5,206.9
Properties	120.3	(0.2)	0.0	(18.3)	101.8
Derivatives contracts	4.6	37.2	0.0	(39.1)	2.7
Cash and currency & other investment balances	188.5	0.0	(58.1)	0.0	130.4
<b>Total</b>	<b>5,770.5</b>	<b>806.8</b>	<b>(748.4)</b>	<b>(77.6)</b>	<b>5,751.3</b>

	Value at 1 April 2021 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2022 £m
Equities	63.1	27.8	(50.9)	6.0	46.0
Government Bonds	3.3	19.0	(13.6)	(0.2)	8.5
Index-linked securities	288.4	178.9	(197.6)	11.1	280.8
Pooled investment vehicles	4,385.2	617.6	(423.0)	542.0	5,121.8
Properties	108.6	0.5	0.0	11.2	120.3
Derivatives contracts	(6.1)	29.4	(0.5)	(18.2)	4.6
Cash and currency and other investment balances	330.1	0.0	(141.6)	0.0	188.5
<b>Total</b>	<b>5,172.6</b>	<b>873.2</b>	<b>(827.2)</b>	<b>551.9</b>	<b>5,770.5</b>

The change in the value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.



## Pension Fund Accounts

The Fund has the following investments which exceed 5% of the total net value of assets:

2021/22 £m		2022/23 £m
890.6	LGPS Central – All World Equity Climate Multi Factor Fund	895.6
513.6	LGPS Central - Global Equity Active Multi Manager Fund	520.6
366.0	Legal and General North America Index Fund	330.8
<b>1,770.2</b>	<b>Total</b>	<b>1,747.0</b>

2021/22 £m		2022/23 £m
	<b>Equities</b>	
24.0	UK quoted	7.0
1.3	UK unquoted	1.3
20.7	Overseas quoted	12.6
<b>46.0</b>		<b>20.9</b>
	<b>Government Bonds</b>	
0.7	UK Government Unquoted	0.7
0.0	UK Government Quoted	3.9
7.8	Overseas Quoted	18.9
<b>8.5</b>		<b>23.5</b>
	<b>Index Linked Securities</b>	
269.2	UK quoted	259.9
11.6	Overseas quoted	5.2
<b>280.8</b>		<b>265.1</b>
	<b>Pooled investment vehicles (unquoted)</b>	
362.6	Property funds	305.7
433.5	Private equity	423.2
926.6	Bond and debt funds	1,037.2
2,581.3	Equity-based funds	2,516.7
16.2	Commodity-based funds	21.3
132.3	Timberland fund	126.3
184.2	Managed futures fund	151.8
8.4	Protection fund	9.8
150.2	Targeted return fund	144.4
326.5	Infrastructure fund	470.5
<b>5,121.8</b>		<b>5,206.9</b>
	<b>Properties</b>	
<b>120.3</b>	<b>UK (Note 14)</b>	<b>101.8</b>
<b>187.1</b>	<b>Cash and currency</b>	<b>128.7</b>
	<b>Derivatives contracts</b>	
5.3	Forward foreign exchange assets	2.8
(0.7)	Forward foreign exchange liabilities	(0.1)
<b>4.6</b>	<b>Sterling Denominated</b>	<b>2.7</b>
<b>1.4</b>	<b>Other Investment Balances</b>	<b>1.7</b>
<b>5,770.5</b>	<b>Total Investments</b>	<b>5,751.3</b>

## 13. Derivatives

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

### Forward Foreign Exchange Contracts

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

Settlement	Currency Bought	Local Value Millions	Currency Sold	Local Value Millions	Asset Value £m	Liability Value £m
Within 1 Month	GBP	4.5	USD	5.6	0.0	0.0
	GBP	1.0	AUD	1.7	0.1	0.0
	GBP	0.4	JPY	58.2	0.0	0.0
	GBP	13.4	EUR	15.2	0.1	0.0
1 - 3 Months	GBP	10.1	AUD	18.6	0.0	0.0
	GBP	12.0	CHF	13.5	0.0	0.0
	GBP	15.1	INR	1,547.0	0.0	0.0
	GBP	21.3	TWD	788.0	0.2	0.0
	GBP	3.6	HKD	34.7	0.0	0.0
	GBP	345.5	USD	426.0	1.6	0.0
	GBP	35.5	CNY	298.3	0.1	0.0
	GBP	4.0	SEK	50.9	0.0	0.0
	GBP	8.3	CAD	14.0	0.0	(0.1)
	USD	(45.8)	GBP	37.7	0.6	0.0
<b>Open forward currency contracts at 31 March 2023</b>					<b>2.7</b>	<b>(0.1)</b>
<b>Net forward currency contracts at 31 March 2023</b>					<b>2.6</b>	
Prior Period Comparison:						
<b>Open forward currency contracts at 31 March 2022</b>					<b>5.3</b>	<b>(0.7)</b>
<b>Net forward currency contracts at 31 March 2022</b>					<b>4.6</b>	

## 14. Property Investments

31 March 2022 £m		31 March 2023 £m
96.2	Freehold	82.2
17.5	Long Leasehold (over 50 years unexpired)	14.0
6.6	Medium/Short Leasehold (under 50 years unexpired)	5.6
120.3	<b>Total</b>	<b>101.8</b>

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by Nigel Holroyd and Adrian Payne of Colliers Capital UK Limited at 31st March 2023. The Fund's farm was valued on an open market basis by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

### 14A Property Holdings

31 March 2022 £m		31 March 2023 £m
108.6	<b>Opening Balance</b>	<b>120.3</b>
	Additions:	
0.0	Purchases	0.0
0.5	Subsequent Expenditure	(0.2)
0.0	Disposals	0.0
11.2	Net increase/(decrease) in market Value	(18.3)
120.3	<b>Total</b>	<b>101.8</b>

## 15. Current Assets and Liabilities

2021/22 £m		2022/23 £m
20.1	Contributions due from employers	20.8
5.3	Other Debtors	5.9
25.4	<b>Current assets</b>	<b>26.7</b>
(1.7)	Due to Leicestershire County Council	(0.0)
(2.1)	Fund Management Fees Outstanding	(1.4)
(2.1)	Other Creditors	(2.4)
(5.9)	<b>Current liabilities</b>	<b>(3.8)</b>
19.5	<b>Net current assets and liabilities</b>	<b>22.9</b>

Contributions due at the year end were received by the due date.

## 16. Analysis of Investments by Manager

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

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

## Pension Fund Accounts

At 31 March 2022 £m			At 31 March 2023 £m	
	%			%
<b>Investments Managed by LGPS Central Pool</b>				
890.6	15.4	All World Equity Climate Multi Factor Fund	895.2	15.6
		Global equities multi-manager fund:		
145.8	2.4	<i>Harris</i>	145.2	2.5
195.6	3.3	<i>Schroders</i>	199.4	3.5
172.3	3.0	<i>Union</i>	176.0	3.1
		Global Active MAC Multi Manager Fund		
110.6	2.0	<i>Western Asset Management</i>	105.1	1.8
111.4	2.0	BMO	108.3	1.9
		Global Active Investment Grade Corporate Bond MMF		
62.2	1.1	<i>Neuberger Berman</i>	73.7	1.3
63.5	1.1	<i>Fidelity</i>	73.0	1.3
		Emerging market equities multi-manager fund:		
66.0	1.1	<i>CTI</i>	62.0	1.1
62.2	1.1	<i>UBS</i>	59.4	1.0
63.1	1.1	<i>Vontobel</i>	60.7	1.1
		Global Active Emerging Market Bond MMF		
59.6	1.1	<i>Amundi</i>	54.6	0.9
59.9	1.1	<i>M&amp;G</i>	56.1	1.0
3.6	0.1	LGPSC Credit Partnership I LP	72.2	1.3
21.7	0.3	LGPS Central Core/Core Plus Infrastructure Partnership LP	58.4	1.0
0.0	0.0	LGPSC Credit Partnership IV LP	30.5	0.5
6.2	0.1	LGPSC Credit Partnership II LP	26.4	0.5
6.6	0.1	LGPS Central PE Primary Partnership 2018 LP	8.2	0.1
0.0	0.0	LGPS Central PE Primary Partnership 2021 LP	0.6	0.0
<b>2,100.9</b>	<b>36.4</b>	<b>Sub Total</b>	<b>2,265.0</b>	<b>39.5</b>
<b>Investments Managed outside of Pool</b>				
975.8	16.9	Legal & General Investment Management Limited	907.5	15.8
394.7	6.8	Adams Street Partners L.P.	382.7	6.7
455.8	7.9	Aegon Asset Management Limited	338.7	5.8
276.6	4.8	LaSalle Limited	244.0	4.3
236.0	4.1	Partners Group Limited	242.8	4.2
131.4	2.3	IFM Investors (UK) Ltd	153.2	2.7
184.2	3.2	Aspect Capital Limited	151.8	2.6
108.7	1.9	JP Morgan Asset Management (UK) Limited	147.4	2.6
150.2	2.6	Pictet Asset Management Limited	144.4	2.5
153.6	2.6	Ruffer LLP	132.2	2.3
132.3	2.3	Stafford Capital Partners Limited	126.3	2.2
135.9	2.5	Colliers Capital UK Limited	115.5	2.0
121.7	2.1	Internally Managed	75.2	1.2
34.2	0.6	Cristofferson, Robb & Company Ltd	69.1	1.2
81.6	1.4	M&G	57.5	1.0
0.0	0.0	DTZ Investment Management	54.8	1.0
39.7	0.7	Kravis Kohlberg Roberts & Co. Ltd	47.9	0.8
25.0	0.4	Infracapital	33.6	0.6
31.4	0.5	Aberdeen Standard Life Limited	30.8	0.5
0.0	0.0	Quinbrook	30.0	0.5
0.8	0.0	Catapult Venture Managers Limited	0.9	0.0
<b>3,669.6</b>	<b>63.6</b>	<b>Sub Total</b>	<b>3,486.3</b>	<b>60.5</b>
<b>5,770.5</b>	<b>100.0</b>	<b>Grand Total</b>	<b>5,751.3</b>	<b>100.0</b>

## 17. Custody of Assets

All the Fund's directly held assets are held by external custodians and are therefore not at risk from the financial failure of any of the Fund's investment managers. Most of the pooled investment funds are registered with administrators that are independent of the investment manager.

## 18. Operation and Management of fund

Details of how the Fund is administered and managed are included in the Pension Fund Annual Report.

## 19. Employing bodies and fund members

A full list of all bodies that have active members within the Fund is included in the in the Pensions fund annual report available from the fund website.

## 20. Fair value – basis of valuation

Unquoted equities in LGPS Central asset pool are valued at cost, as an appropriate estimate of fair value. All other investments are held at fair value in accordance with the requirements of the Code and IFRS 13. The valuation bases are set out below. All assets have been valued using fair value techniques based on the characteristics of each instrument, with the overall objective of maximising the use of market-based information. There has been no change in the valuation techniques used during the year.

Description of Asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Market quoted Investments (equities and bonds)	Level 1	Published bid market price ruling on final day of the accounting period	Not required	Not required
Market quoted pooled funds	Level 1	Closing bid price or closing single price at reporting date	Not required	Not required
Forward foreign exchange contracts	Level 1	Market forward exchange rates at reporting date	Not required	Not required
Pooled investment vehicles	Level 2	Fair value based on the weekly market quoted prices of the respective underlying securities	When considering the fair value of assets which are not at the reporting date, the price of a recent transaction for an identical asset provides evidence of fair value	Not Required
Unquoted Equity (including Private Equity, Infrastructure and Timberland)	Level 3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation, and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.

## Pension Fund Accounts

Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and investment managers valuation policy	Comparable valuation of similar assets, EBITDA multiple, Revenue multiple, Discounted cash flows, Enterprise value estimation	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Pooled investment vehicles (including targeted return funds, commodity funds and pooled property funds)	Level 3	Stated at bid price quoted or closing single market price	Net asset value (NAV) based pricing set on a forward pricing basis.	Valuations could be affected by material events occurring between the date of the financial statements provided and the Pension Fund's own reporting date, by changes to expected cash flows, and by any differences between audited and unaudited accounts of the underlying assets.
Freehold and Leasehold Property	Level 3	Stated at open market value based on expert valuation provided by a RICS registered Valuer and in accordance with RICS guidelines.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations

### Sensitivity of assets valued at Level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2023 and 31 March 2022.

Asset Type	Value at 31 March 2023 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	1.3	31	1.7	0.9
UK Bonds	0.7	6	0.7	0.7
Pooled property funds	305.7	23	376.0	235.4
Pooled private equity funds	423.2	31	554.4	292.0
Pooled bond and debt funds	510.0	11	566.1	453.9
Pooled commodity funds	21.3	22	26.0	16.6
Pooled targeted return funds	144.4	9	157.4	131.4
Pooled timberland fund	126.3	16	146.5	106.1
Pooled infrastructure fund	470.5	16	545.8	395.2
UK property	101.8	15	117.1	86.5
<b>Total assets available to pay benefits</b>	<b>2,105.2</b>		<b>2,491.7</b>	<b>1,718.7</b>

Asset Type	Value at 31 March 2022 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	1.3	18	1.5	1.1
UK Bonds	0.7	3	0.7	0.7
Pooled property funds	362.6	15	417.0	308.2
Pooled private equity funds	433.5	30	563.6	303.5
Pooled bond and debt funds	374.6	11	415.8	333.4
Pooled commodity funds	16.2	18	19.1	13.3
Pooled targeted return funds	150.2	5	157.7	142.7
Pooled timberland fund	132.3	18	156.1	108.5
Pooled infrastructure fund	326.5	18	385.3	267.7
UK property	120.3	15	138.3	102.3
<b>Total assets available to pay benefits</b>	<b>1,918.2</b>		<b>2,255.1</b>	<b>1,581.4</b>

## 20a. Valuation of financial instruments and non-financial instruments carried at fair value

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

### Level 1

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

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

### Level 2

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

### Level 3

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

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

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

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

## Pension Fund Accounts

	Quoted market price	Using observable inputs	With significant unobservable inputs	
<b>Values at 31<sup>st</sup> March 2023</b>				
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,446.7	1,069.1	2,105.2	5,621.0
Financial liabilities at fair value	(0.1)	0.0	0.0	(0.1)
<b>Net financial and non-final assets carried at fair value</b>	<b>2,446.6</b>	<b>1,069.1</b>	<b>2,105.2</b>	<b>5,620.9</b>

The above table excludes cash and cash equivalents of £128.7m and other investment balances of £1.7m which are carried at amortised cost.

	Quoted market price	Using observable inputs	With significant unobservable inputs	
<b>Values at 31<sup>st</sup> March 2022</b>				
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,504.5	1,160.0	1,918.2	5,582.7
Financial liabilities at fair value	(0.7)	0.0	0.0	(0.7)
<b>Net financial and non-final assets carried at fair value</b>	<b>2,503.8</b>	<b>1,160.0</b>	<b>1,918.2</b>	<b>5,582.0</b>

The above table excludes cash and cash equivalents of £187.1m and other investment balances of £1.4m which are carried at amortised cost.

## 20b. Reconciliation of asset held at level 3

	Value at 1 April 2022	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2023
	£m	£m	£m	£m	£m	£m
UK Equities	1.3	0.0	0.0	0.0	0.0	1.3
UK Bonds	0.7	0.0	0.0	0.0	0.0	0.7
Pooled property funds	362.6	10.9	(13.4)	4.3	(58.7)	305.7
Pooled private equity funds	433.5	48.0	(54.0)	25.6	(29.9)	423.2
Pooled bond and debt funds	374.6	180.0	(64.0)	17.8	1.6	510.0
Pooled commodity funds	16.2	20.9	(14.1)	1.2	(2.9)	21.3
Pooled targeted return funds	150.2	0.0	(0.4)	0.4	(5.8)	144.4
Pooled timberland funds	132.3	1.3	(17.8)	3.3	7.2	126.3
Pooled Infrastructure funds	326.5	97.4	(12.5)	8.3	50.8	470.5
UK Property	120.3	(0.2)	0.0	0.0	(18.3)	101.8
<b>Total</b>	<b>1,918.2</b>	<b>358.3</b>	<b>(176.2)</b>	<b>60.9</b>	<b>(56.0)</b>	<b>2,105.2</b>



## 21. Classification of Financial Instruments

2021/22 £m			2022/23 £m		
Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost	Fair value through profit and loss	Assets at amortised cost	Liabilities at amortised cost
<b>Financial Assets</b>					
46.0	0.0	0.0	Equities	20.9	0.0
8.5	0.0	0.0	Government Bonds	23.5	0.0
280.8	0.0	0.0	Index-linked securities	265.1	0.0
5,121.7	0.0	0.0	Pooled investment vehicles	5,207.0	0.0
5.3	0.0	0.0	Derivatives contracts	2.7	0.0
0.0	187.1	0.0	Cash and currency	0.0	128.7
0.0	0.0	0.0	Other investment balances	0.0	0.0
0.0	0.8	0.0	Sundry debtors and prepayments	0.0	1.1
<b>5,462.3</b>	<b>187.9</b>	<b>0.0</b>	<b>5,519.2</b>	<b>129.8</b>	<b>0.0</b>
<b>Financial Liabilities</b>					
(0.7)	0.0	0.0	Derivatives contracts	(0.1)	0.0
0.0	0.0	0.0	Other investment balances	0.0	0.0
0.0	0.0	(4.4)	Sundry Creditors	0.0	(2.4)
<b>(0.7)</b>	<b>0.0</b>	<b>(4.4)</b>	<b>(0.1)</b>	<b>0.0</b>	<b>(2.4)</b>

The value of debtors and creditors reported in the Notes to the Statement of Accounts are solely those amounts meeting the definition of a financial instrument. The balances of debtors and creditors reported in the balance sheet and Notes include balances which do not meet the definition of a financial instrument, such as tax-based debtors and creditors.

The following gains and losses are recognised in the Fund Account:

2021/22 £m	2022/23 £m
<b>Financial Assets</b>	
578.2	(58.5)
<b>Financial Liabilities</b>	
(8.3)	(0.7)
<b>569.9</b>	<b>(59.2)</b>

All realised gains and losses arise from the sale or disposal of financial assets which have been derecognised in the financial statements. The fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

## 22. External Audit Fee

2021/22 £		2022/23 £
50,193	Payable in respect of external audit*	57,393
<b>50,193</b>	<b>Total</b>	<b>57,393</b>

\*For 2022/23 PSAA and the NAO have indicated that the IAS19 assurance letters form part of the overall audit fee. The above figures have been restated to reflect this.

## 23. Nature and Extent of Risks Arising from Financial Instruments

### Risk and risk management

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

Responsibility for the Fund's risk management strategy rests with Leicestershire County Council's Local Pension Committee (formerly called the Pension Fund Management Board).

### a) Market risk

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, Leicestershire County Council and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund manages these risks via an annual strategy review which ensures that market risk remains within acceptable levels. On occasion equity futures contracts and exchange traded option contracts on individual securities may be used to manage market risk on investments, and in exceptional circumstances over-the-counter derivative contracts may be used to manage specific aspects of market risk.

### Other price risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such investments in the market.

The Fund is exposed to share and derivative price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. For all investments held by the Fund, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. The Fund's investment managers mitigate this price risk through diversification and the selection of securities and other financial instruments is monitored to ensure that it is within the limits specified in the Fund's investment strategy.

### Other price risk – sensitivity analysis

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Fund's investment advisors, Leicestershire County Council has determined that the following movements in market prices risk are reasonably possible for the 2022/23 reporting period:

Asset type	Potential market movements (+/-)
Cash	0%
Index Linked Gilts (medium)	7%
Fixed Interest Gilts (medium)	6%
Private equity	31%
Property	15%
Commodities	22%
Global Distressed Debt	15%
Emerging Markets Equity	24%
Unlisted Infrastructure Equity	16%
Diversified Growth Fund (high equity beta)	13%
Diversified Growth Fund (medium equity beta)	9%
Multi Asset Credit (sub inv grade)	8%
All World Equity GBP Unhedged	18%
Direct Lending (Private Debt) GBP Hedged	11%
Corporate Short AA Low	4%
Corporate Medium BBB	9%

The potential price changes disclosed above are broadly consistent with one-standard deviation movement in the value of assets. The sensitivities are consistent with the assumptions contained in the annual strategy review and the analysis assumes that all other variables, in particular foreign currency exchange rates and interest rates, remain the same.

Had the market price of the Fund's investments increased/decreased in line with the above, the change in net assets available to pay benefits in the market price would have been as follows (the prior year comparator is shown in the second table):

Asset Type	Value at 31 March 2023 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	8.3	18	9.8	6.8
Overseas equities	12.6	18	14.9	10.3
UK Corporate Bonds	0.0	0	0.0	0.0
Global Government Bonds	287.9	7	308.1	267.7
Pooled property funds	305.7	23	376.0	235.4
Pooled private equity funds	423.2	31	554.4	292.0
Pooled bond and debt funds	1,037.2	10	1,140.9	933.5
Pooled Protection funds	9.8	9	10.7	8.9
Pooled hedge funds	0.0	0	0.0	0.0
Pooled equity funds	2,517.4	20	3,020.9	2,013.9
Pooled commodity funds	21.3	0	21.3	21.3
Pooled targeted return funds	144.4	9	157.4	131.4
Pooled timberland fund	126.3	16	146.5	106.1
Pooled managed futures fund	151.8	13	171.5	132.1
Pooled infrastructure fund	470.5	16	545.8	395.2
UK property	101.8	15	117.1	86.5
Cash and currency	128.7	0	128.7	128.7
Other investment balances, current assets and current liabilities	4.4	0	4.4	4.4
<b>Total assets available to pay benefits</b>	<b>5,751.3</b>		<b>6,728.4</b>	<b>4,774.2</b>

## Pension Fund Accounts

Asset Type	Value at 31 <sup>st</sup> March 2022 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	25.3	18	29.9	20.7
Overseas equities	20.7	19	24.6	16.8
UK Corporate Bonds	0.7	3	0.7	0.7
Global Government Bonds	288.6	7	308.8	268.4
Pooled property funds	362.6	15	417.0	308.2
Pooled private equity funds	433.5	30	563.6	303.5
Pooled bond and debt funds	926.6	8	1,000.7	852.5
Pooled hedge funds	0.0	18	0.0	0.0
Pooled equity funds	2,581.3	19	3,071.7	2,090.9
Pooled commodity funds	16.2	18	19.1	13.3
Pooled targeted return funds	150.2	5	157.7	142.7
Pooled timberland fund	132.3	18	156.1	108.5
Pooled managed futures fund	184.2	13	208.1	160.3
Pooled infrastructure fund	326.5	18	385.3	267.7
UK property	120.3	15	138.3	102.3
Cash and currency	187.1	2	190.8	183.4
Other investment balances, current assets and current liabilities	14.4	2	14.7	14.1
<b>Total assets available to pay benefits</b>	<b>5,770.5</b>		<b>6,687.1</b>	<b>4,854.0</b>

### Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risk, which represents the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund is not highly exposed to interest rate risk, but monitoring is carried out to ensure that the exposure is close to the agreed asset allocation benchmark.

The Fund's direct exposure to interest rate movements as at 31st March 2023 and 31st March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 March 2022 £m	Asset type	As at 31 March 2023 £m
187.1	Cash and Currency	128.7
288.6	Fixed interest securities	287.9
<b>475.7</b>	<b>Total</b>	<b>416.6</b>

### Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets to pay benefits. A 1% movement in interest rates (100 BPS) is consistent with the level of sensitivity expected within the Fund's asset allocation strategy and the Fund's investment advisors expect that long-term average rates are expected to move less than 100 BPS from one year to the next and experience suggests that such movements are likely.

## Pension Fund Accounts

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/- 100 BPS change in interest rates. The analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed interest assets but will reduce their fair value, and vice versa. Changes in interest rates do not impact on the value of cash and cash equivalent balances but they will affect the interest income received on those balances.

Exposure to interest rate risk	Carrying amount as at 31 March 2023	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	128.7	128.7	128.7
Fixed interest securities	287.9	243.9	341.8
<b>Total</b>	<b>416.6</b>	<b>372.6</b>	<b>470.5</b>

Exposure to interest rate risk	Carrying amount as at 31 March 2022	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	187.1	187.1	187.1
Fixed interest securities	288.6	230.0	347.2
<b>Total</b>	<b>475.7</b>	<b>417.1</b>	<b>534.3</b>

### Assets exposed to interest rate risk:

Exposure to interest rate risk	Interest receivable 2022/23	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	2.3	3.9	0.7
Fixed interest securities	2.0	2.0	2.0
<b>Total</b>	<b>4.3</b>	<b>5.9</b>	<b>2.7</b>

Exposure to interest rate risk	Interest receivable 2021/22	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	0.1	2.7	0.0
Fixed interest securities	1.4	1.4	1.4
<b>Total</b>	<b>1.5</b>	<b>4.1</b>	<b>1.4</b>

## Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk in financial instruments that are denominated in any other currency other than sterling. The Fund holds both monetary and non-monetary assets denominated in currencies other than sterling.

The Fund's currency rate risk is actively managed and the neutral position is to hedge 25% of the exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged as at 31st March 2022 and as at the previous period end:

Asset value as at 31 March 2022 £m	Currency exposure – asset type	Asset value as at 31 March 2023 £m
20.7	Overseas equities	12.6
7.8	Overseas government bonds	18.9
11.6	Overseas government index-linked bonds	5.2
874.4	Overseas pooled investment vehicles	951.8
60.9	Overseas cash and currency	30.7
<b>975.4</b>	<b>Total overseas assets</b>	<b>1,019.2</b>

## Currency Risk – Sensitivity Analysis

Following analysis of historical data in consultation with the Fund's investment advisors, it is considered that the likely volatility associated with foreign exchange rate movements is 10% (as measured by one standard deviation).

A 10% fluctuation in the currency is considered reasonable based on the Fund advisor's analysis of the long-term historical movements in the month-end exchange rates over a rolling 36-month period. This analysis assumes that all other variables, in particular interest rates, remain constant.

A 10% strengthening/weakening of the pound against the various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Current exposure – asset type	Asset value as at 31 March 2023 £m	Change to net assets available to pay benefits	
		10% £m	-10% £m
Overseas equities	12.6	13.8	11.4
Overseas government bonds	18.9	20.7	17.1
Overseas government index-linked bonds	5.2	5.7	4.7
Overseas pooled investment vehicles	951.8	1,042.2	861.4
Overseas cash and currency	30.7	33.6	27.8
<b>Total change in assets available</b>	<b>1,019.2</b>	<b>1,116.0</b>	<b>922.4</b>

## b) Credit Risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk, with the exception of derivatives positions, where the risk equates to the net market value of a positive derivative position. However, the

selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

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

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

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

The Fund believes it has managed its exposure to credit risk and has never had any experience of default of uncollectible deposits. The Fund's cash holding at 31st March 2023 was £129m (31st March 2022: £187m).

### **c) Liquidity Risk**

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. All of the Fund's cash holdings are available for immediate access, although on some occasions this will involve withdrawing cash balances from the portfolios of investment managers.

The Fund is allowed to borrow to meet short-term cash flow requirements, although this is an option that is only likely to be used in exceptional circumstances.

The Fund defines liquid assets as assets that can be converted to cash within three months. Illiquid assets are those assets which will take longer than three months to convert to cash. As at 31st March 2023 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1.4bn, which represented 25% of total Fund assets. (31st March 2022: £1.4bn, which represented 24% of total Fund assets).

The Fund remains cash flow positive for non-investment related items so there is no requirement to produce detailed cash flow forecasts. All investment related cash flows are known about sufficiently far in advance that they can be covered by taking action in a manner that is both cost-effective and in line with the Fund's investment strategy. All financial liabilities at 31st March 2023 are due within one year.

### **Refinancing Risk**

The key risk is that the Fund will be forced to sell a significant proportion of its financial instruments at a time of unfavourable interest rates, but this appears a highly unlikely scenario. The Fund's investment strategy and the structure of its portfolios have sufficient flexibility to ensure that any required sales are considered to be the ones that are in the best financial interests of the Fund at that time. There are no financial instruments that have a refinancing risk as part of the Fund's treasury management and investment strategies.

### **Securities Lending**

The Fund ceased to take part in securities lending activities towards the end of the 2017/18 financial year and there was no stock on loan at 31 March 2023.

### **Reputational Risk**

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

## 24. Related Party Transactions

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

During the reporting period LCC incurred costs of £2.1m in relation to administration and management of the Fund, the full amount has been recharged to the Fund, and is recognised in the expenses outlined in note 10 above. As at the 31<sup>st</sup> March 2023 less than £10,000 of this was a creditor balance in the Fund accounts. Contributions of £64.6m were receivable from LCC during 2022/23 (£59.1m 2021/22) of which, £5.4m was still outstanding as at 31 March 2023 (£5.8m as at 31 March 2022).

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of nine Local Government Pension Schemes across the Midlands. It is jointly owned in equal amounts by the eight Administering Authorities participating in the Pool. £1.3m is invested in the share capital and £0.7m in a corporate bond with LGPS Central Ltd. During 2022/23 a total of £1.0m (£0.9m 2021/22) was payable to LGPS Central Ltd for governance, operator and product development fees. Of these £0.5m was a creditor balance at the year end. As at 31 March 2023, £2.3bn of LCC LGPS investments were managed by LGPS Central Ltd (£2.1bn as at 31 March 2022).

## 25. Contingent Liabilities and Contractual Commitments

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

If all of these individuals choose to take a refund of contributions the cost to the Fund will be around £2.5m, although the statutory requirement of the Fund to pay interest to some members would increase this figure. Should all of the members opt to transfer to another scheme the cost will be considerably higher.

At 31<sup>st</sup> March 2023, the Fund had the following contractual commitments:-

	31-Mar-22 £m	31-Mar-23 £m
Aberdeen Standard Life Capital SOF III Fund	10.3	10.3
Adams Street Partners L.P.	126.0	90.2
Infracapital Greenfield Partners I Fund	8.8	4.3
M & G Debt Opportunities Funds III & IV	6.3	17.9
KKR Global Infrastructure	12.0	7.9
Stafford International Timberland & Carbon Offset Funds	1.2	54.2
LGPS Central PE Primary Partnership 2018 LP	4.2	2.4
LGPSC Credit Partnership IV	0.0	50.0
LGPSC Credit Partnership II LP	96.4	167.1
LGPSC Credit Partnership I LP	53.5	32.8
LGPS Central Core/Core Plus Infrastructure Partnership LP	48.1	49.1
LGPS Central PE Primary Partnership 2021 LP	30.0	29.1
CRC Capital Release Fund V	44.0	0.0
Quinbrook Infrastructure Partners	0.0	19.1
Partners Group Multi Asset Credit VI and VII	20.8	22.3
<b>Total</b>	<b>461.6</b>	<b>556.7</b>



## 25A Key Management Personnel

The fund has identified the Director of Corporate Resources (LCC) and the Assistant Director Finance, Strategic Property and Commissioning (LCC) as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the fund. The combined compensation for these officers attributable to Leicestershire County Council Pension Fund\* is shown below:

2021/22 £000s		2022/23 £000s
20.9	Short-term benefits	21.5
5.7	Pension contributions	6.1
<b>26.6</b>	<b>Total</b>	<b>27.6</b>

\*The amounts in the table were not recharged to the Fund but are presented as required by the Code of Practice.

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

The Fund has an arrangement with Prudential whereby additional contributions can be paid to them for investment, with the intention that the accumulated value will be used to purchase additional retirement benefits. AVCs are not included in the pension fund accounts in accordance with Regulation 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. During 2022/23 £2.5m in contributions were paid to Prudential. The capital value of all AVC's at year end 31 March 2023 was £18.7m.

## 27. Policy Statements

The Fund has a number of policy statements which can be found on the [LPGS website](#). They have not been reproduced within the Accounts, as in combination they are sizeable, and it is not considered that they would add any significant value to most users of the accounts. The Statements are:

**Investment Strategy Statement (ISS)**

**Administration and Communication Strategy**

**Funding Strategy Statement (FSS)**

## 28. Compliance Statement

### Income and other taxes

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

### Self-investment

There has been no material employer related investment in 2022/23 (or 2021/22). There were occasions on which contributions were paid over by the employer later than the statutory date and these instances are technically classed as self-investment. In no instance were the sums involved material, and neither were they outstanding for long periods.

### Calculation of transfer values

There are no discretionary benefits included in the calculation of transfer values.

### Pension Increase

All pension increases are made in accordance with the Pensions Increase (Review) Order 1997.

### Changes to LGPS

All changes to LGPS are made via the issue of Statutory Instruments by Central Government.

# Leicestershire County Council Pension Fund (the Fund)

## Actuarial Statement for 2022/23

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013. It has been prepared at the request of the Administering Authority of the Fund for the purpose of complying with the aforementioned regulation.

### Description of Funding Policy

The funding policy is set out in the Administering Authority's Funding Strategy Statement (FSS), dated March 2023. In summary, the key funding principles are as follows:

- take a prudent long-term view to secure the regulatory requirement for long-term solvency, with sufficient funds to pay benefits to members and their dependants
- use a balanced investment strategy to meet the regulatory requirement for long-term cost efficiency (where efficiency in this context means to minimise cash contributions from employers in the long term)
- where appropriate, ensure stable employer contribution rates
- reflect different employers' characteristics to set their contribution rates, using a transparent funding strategy
- use reasonable measures to reduce the risk of an employer defaulting on its pension obligations
- where appropriate, ensure fairness between employers and between different generations of tax-payers

The FSS sets out how the Administering Authority seeks to balance the conflicting aims of securing the solvency of the Fund and keeping employer contributions stable. For employers whose covenant was considered by the Administering Authority to be sufficiently strong, contributions have been stabilised to have a sufficiently high likelihood of achieving the funding target over 17 years. Asset-liability modelling has been carried out which demonstrate that if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least a 75% likelihood that the Fund will achieve the funding target over 17 years.

### Funding Position as at the last formal funding valuation

The most recent actuarial valuation carried out under Regulation 62 of the Local Government Pension Scheme Regulations 2013 was as at 31 March 2022. This valuation revealed that the Fund's assets, which at 31 March 2022 were valued at £5,790 million, were sufficient to meet 105% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2022 valuation was £283 million.

Each employer had contribution requirements set at the valuation, with the aim of achieving their funding target within a time horizon and likelihood measure as per the FSS. Individual employers' contributions for the period 1 April 2023 to 31 March 2026 were set in accordance with the Fund's funding policy as set out in its FSS.

### Principal Actuarial Assumptions and Method used to value the liabilities

Full details of the methods and assumptions used are described in the 2022 valuation report and FSS.

### Method

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

## Assumptions

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

The key financial assumptions adopted for the 2022 valuation were as follows:

Financial assumptions	31 March 2022
Discount rate	4.4% pa
Salary increase assumption	3.4% pa
Benefit increase assumption (CPI)	2.9% pa

The key demographic assumption was the allowance made for longevity. The life expectancy assumptions are based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 0% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of 1.50% p.a. Based on these assumptions, the average future life expectancies at age 65 are as follows:

	Males	Females
Current Pensioners	21.5 years	24.4 years
Future Pensioners*	22.3 years	25.9 years

\*Aged 45 at the 2022 Valuation.

Copies of the 2022 valuation report and Funding Strategy Statement are available on request from the Administering Authority to the Fund and on the Fund's website.

## Experience over the period since 31 March 2022

Markets continued to be disrupted by the ongoing war in Ukraine and inflationary pressures, impacting on investment returns achieved by the Fund's assets. High levels of inflation in the UK (compared to recent experience), have resulted in a higher than expected LGPS benefit increase of 10.1% in April 2023. Despite this, the funding level of the Fund is likely to be higher than reported at the 31 March 2022 funding valuation due to significant rises in interest rates which reduce the value placed on the Fund's liabilities.

The next actuarial valuation will be carried out as at 31 March 2025. The Funding Strategy Statement will also be reviewed at that time.

Richard Warden FFA

15 June 2023

For and on behalf of Hymans Robertson LLP

## Pension Fund Accounts Reporting Requirement

### Introduction

CIPFA's Code of Practice on Local Authority Accounting 2022/23 requires Administering Authorities of LGPS funds that prepare pension fund accounts to disclose what IAS26 refers to as the actuarial present value of promised retirement benefits. I have been instructed by the Administering Authority to provide the necessary information for the Leicestershire County Council Pension Fund ("the Fund").

The actuarial present value of promised retirement benefits is to be calculated similarly to the Defined Benefit Obligation under IAS19. There are three options for its disclosure in the pension fund accounts:

- showing the figure in the Net Assets Statement, in which case it requires the statement to disclose the resulting surplus or deficit;
- as a note to the accounts; or
- by reference to this information in an accompanying actuarial report.

If an actuarial valuation has not been prepared at the date of the financial statements, IAS26 requires the most recent valuation to be used as a base and the date of the valuation disclosed. The valuation should be carried out using assumptions in line with IAS19 and not the Fund's funding assumptions.

### Present value of promised retirement benefits

Year ended	31 March 2023	31 March 2022
Active members (£m)	2,333	4,176
Deferred members (£m)	1,098	1,670
Pensioners (£m)	2,304	2,213
<b>Total (£m)</b>	<b>5,735</b>	<b>8,060</b>

The promised retirement benefits at 31 March 2023 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2022. The approximation involved in the roll forward model means that the split of benefits between the three classes of member may not be reliable. However, I am satisfied that the total figure is a reasonable estimate of the actuarial present value of benefit promises.

The figures include both vested and non-vested benefits, although the latter is assumed to have a negligible value. Further, I have not made any allowance for unfunded benefits.

It should be noted the above figures are appropriate for the Administering Authority only for preparation of the pension fund accounts. They should not be used for any other purpose (i.e. comparing against liability measures on a funding basis or a cessation basis).

### Assumptions

The assumptions used are those adopted for the Administering Authority's IAS19 report and are different as at 31 March 2023 and 31 March 2022. I estimate that the impact of the change in financial assumptions to 31 March 2023 is to decrease the actuarial present value by £3,217m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £60m.

## Financial assumptions

Year ended	31 March 2023	31 March 2022
	% p.a.	% p.a.
Pension Increase Rate (CPI)	2.95%	3.20%
Salary Increase Rate	3.45%	3.70%
Discount Rate	4.75%	2.70%

## Demographic assumptions

The longevity assumptions have changed since the previous IAS26 disclosure for the Fund.

Life expectancy is based on the Fund's VitaCurves with improvements in line with the CMI 2021 model, with a 10% weighting of 2021 (and 2020) data, standard smoothing (Sk7), initial adjustment of 0.25% and a long term rate of improvement of 1.5% p.a.. Based on these assumptions, the average future life expectancies at age 65 are summarised below:

	Males	Females
Current pensioners	21.2 years	24.2 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	21.9 years	25.6 years

All other demographic assumptions have been updated since last year and are as per the latest funding valuation of the Fund.

## Sensitivity Analysis

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

Change in assumption at 31 March 2023	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	108
1 year increase in member life expectancy	4%	229
0.1% p.a. increase in the Salary Increase Rate	0%	12
0.1% p.a. increase in the Pension Increase Rate (CPI)	2%	98

## Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2023' which identifies the appropriate reliances and limitations for the use of the figures in this paper, together with further details regarding the professional requirements and assumptions.

Prepared by:-

Richard Warden FFA

15 June 2023

For and on behalf of Hymans Robertson LLP

# Statement of Responsibilities for Leicestershire County Council Pension Fund

## THE AUTHORITY'S RESPONSIBILITIES

The Authority is required to:

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



**MR. L. BRECKON**  
**CABINET LEAD MEMBER FOR CORPORATE RESOURCES**  
**24 MAY 2024**

## THE DIRECTOR OF CORPORATE RESOURCES RESPONSIBILITIES

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

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

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

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Leicestershire County Council Pension Fund as at 31 March 2023 and its income and expenditure for the year ended the same date.



**D KEEGAN**  
**DIRECTOR OF CORPORATE RESOURCES**  
**24 MAY 2024**

# Independent auditor's report to the members of Leicestershire County Council

## Report on the audit of the financial statements

### Opinion on financial statements

We have audited the financial statements of Leicestershire County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Resources with respect to going concern are described in the relevant sections of this report.

### Other information

The other information comprises the information included in the Annual Governance Statement and the Statement of Accounts, Annual Governance Statement and Pension Fund Accounts other than the financial statements, our auditor's report thereon, and our auditor's report on the pension fund financial statements. The Director of Corporate Resources is

responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Other information we are required to report on by exception under the Code of Audit Practice**

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice**

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts, Annual Governance Statement and Pension Fund Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

### **Responsibilities of the Authority and the Director of Corporate Resources**

As explained more fully in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Corporate Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance



is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003 and the Local Government Act 1972).

We enquired of management and the Corporate Governance Committee concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Corporate Governance Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to

- journals that altered the Authority's financial performance for the year;
- potential management bias in determining accounting estimates, especially in relation to the calculation of the valuation of the Authority's land and buildings, investment property and defined benefit pensions liability valuations; and

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on unusual journals with specific risk characteristics and large value journals
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of property and net pension liability valuations
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. Including:

- the potential for fraud in revenue and expenditure recognition
- significant accounting estimates related to property, plant and equipment and net pension liability

We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector

- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

## **Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

### **Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

We have nothing to report in respect of the above matter.

### **Responsibilities of the Authority**

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

### **Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources**

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

## Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Leicestershire County Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*M C Stocks*

Mark Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

24 May 2024

# Independent auditor's report to the members of Leicestershire County Council on the pension fund financial statements of Leicestershire County Council Pension Fund

## Opinion on financial statements

We have audited the financial statements of Leicestershire County Council Pension Fund (the 'Pension Fund') administered by Leicestershire County Council (the 'Authority') for the year ended 31 March 2023, which comprise the Fund Account, the Net Assets Statement and notes to the pension fund financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial transactions of the Pension Fund during the year ended 31 March 2023 and of the amount and disposition at that date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the Pension Fund's financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Corporate Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Pension Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Pension Fund to cease to continue as a going concern.

In our evaluation of the Director of Corporate Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Pension Fund's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Pension Fund. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority in the Pension Fund financial statements and the disclosures in the Pension Fund financial statements over the going concern period.

In auditing the financial statements, we have concluded that the Director of Corporate Resources' use of the going concern basis of accounting in the preparation of the Pension Fund financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Pension Fund's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Corporate Resources with respect to going concern are described in the relevant sections of this report.

## Other information

The other information comprises the information included in the Statement of Accounts, other than the Pension Fund's financial statements and our auditor's report thereon, and our auditor's report on the Authority's financial statements. The Director of Corporate Resources is responsible for the other information. Our opinion on the financial statements does not cover the other

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Pension Fund financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### **Opinion on other matters required by the Code of Audit Practice (2020) published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)**

In our opinion, based on the work undertaken in the course of the audit of the Pension Fund's financial statements, the other information published together with the Pension Fund's financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the Pension Fund financial statements.

### **Matters on which we are required to report by exception**

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters in relation to the Pension Fund.

### **Responsibilities of the Authority and the Director of Corporate Resources**

As explained more fully in the Statement of Responsibilities set out on page 79, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Corporate Resources. The Director of Corporate Resources is responsible for the preparation of the Statement of Accounts, which includes the Pension Fund's financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Corporate Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Pension Fund's financial statements, the Director of Corporate Resources is responsible for assessing the Pension Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Pension Fund without the transfer of its services to another public sector entity.

### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the Pension Fund's financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Pension Fund and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the

reporting frameworks the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003.

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of management and the Local Pensions committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Local Pensions committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Pension Fund's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls. We determined that the principal risks were in relation to journal entries posted by management or any potential management bias in determining accounting estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals processed by management,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of level 3 investments and determination of the defined benefit obligation and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including management override of controls. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government pensions sector
- understanding of the legal and regulatory requirements specific to the Pension Fund including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Pension Fund's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

*M C Stocks*

Mark C Stocks, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Birmingham

24 May 2024

## **Annual Governance Statement (AGS) 2022-23**

### **1. Introduction**

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

Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control. The preparation and publication of an AGS, in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' (2016), fulfils the statutory requirement of the Accounts and Audit Regulations. The AGS encompasses the governance system that applied in both the Authority and any significant group entities (e.g. ESPO, EMSS) during the financial year being reported.

### **2. What is Corporate Governance?**

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

The Chartered Institute of Public Finance and Accountancy (CIPFA) 'Delivering Good Governance in Local Government; Framework (2016)' sets the standard for local authority governance in the UK and the Council is committed to the principles of good corporate governance contained in the Framework.

The Council has developed, adopted, and continued to maintain a Local Code of Corporate Governance which sets out the way the Council meets the principles outlined in the Framework. [The Code can be found on the LCC internet.](#)



### 3. Leicestershire's Vision and Outcomes

The County Council's Annual Delivery Report and Performance Compendium 2022 is part of the Council's policy framework and, as such, required the approval of the full County Council at its meeting on 7 December 2022. The documents provide performance data which will help the Council and its partners to ensure services continue to meet standards, provide value for money and that outcomes are being achieved for local people. It is best practice in performance management, and part of the Council's Internal Governance Framework, to undertake a review of overall progress at the end of the year and to benchmark performance against comparable authorities. It is also good practice to produce an annual performance report and ensure that it is scrutinised, transparent, and made publicly available.

The Annual Delivery Report described delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. It largely focused on performance against County Council priorities for community outcomes as set out in its Strategic Plan 2022-26 and other main service strategies. The Report also included information on the financial sustainability and the emergent implications for service demand and outcomes. [The Performance Compendium](#) outlined the inequity in national funding and the Council's Fair Funding proposals, transformation requirements and national and local service pressures, as well as detailed comparative performance metrics.

The Strategic Plan (2022-26), approved by the County Council on 18 May 2022, provides an important strategic planning framework for the Council which aims to ensure that all service plans and strategies contribute to delivery of the Council's vision for Leicestershire. It has the following five priority outcome themes: -

<b>Our Vision:</b> <b>An inclusive county in which active communities, great connections and greener living enables everyone to prosper, be happy and healthy.</b>				
<b>Strong Economy, Transport &amp; Infrastructure</b>	<b>Improving Opportunities</b>	<b>Keeping People Safe &amp; Well</b>	<b>Great Communities</b>	<b>Clean, Green Future</b>
Leicestershire has a productive, inclusive, and sustainable economy and infrastructure which meets the demands of a growing population and economy.	Every child gets the best start for life with access to a good quality education and everyone has the opportunities they need to fulfil their potential	The people of Leicestershire are safe and protected from harm and have the opportunities and support they need to take control of their health and wellbeing	Leicestershire has thriving, inclusive communities in which people support each other and participate in service design and delivery	The environment is protected and enhanced, and we tackle climate change, biodiversity loss and unsustainable resource usage

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## 4. What the Annual Governance Statement Tells You

The AGS reports on the extent to which the Council has met the requirements of the Local Code of Corporate Governance and the controls it has in place to manage<sup>1</sup> risks of failure in delivering its outcomes. The main aim of the AGS is to provide the reader with confidence that the Council has an effective system of internal control that manages risks to a reasonable level.

The 2022/23 AGS has been constructed by undertaking: -

- A review of the effectiveness of the system of internal control
- Reviewing other forms of assurance
- Action taken on governance issues reported in the 2021/22 AGS
- Significant governance issues arising during 2022/23
- Future challenges

## 5. Review of Effectiveness of the System of Internal Control

To ensure the 2022/23 AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure conformance (or otherwise) with the seven core principles of the Local Code of Corporate Governance.

A senior officers group meets to review the compilation of the AGS. The group comprises

- Director of Law & Governance (the Council's Statutory Monitoring Officer)
- Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
- Head of Democratic Services
- Assistant Chief Executive
- Assistant Director – Assistant Director Finance, Strategic Property & Commissioning
- Assistant Director – Corporate Services
- Head of Internal Audit & Assurance Service

The group has determined that progressing areas identified for development, should be the responsibility of designated Directors and Heads of Service during 2022/23. A review of progressing the implementation of previous years planned developments will be undertaken. Any previous year's developments that were not carried forward into 2022/23 or reported through the Corporate Risk Register process will continue to be monitored.

## 6. Other Forms of Assurance

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

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<sup>1</sup> It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness.

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## The Control Environment of Leicestershire County Council

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

### Internal Audit Service

The Council's Head of Internal Audit & Assurance Service (HoIAS) ensures that internal audit arrangements conform to the requirements of the Public Sector Internal Audit Standards (the PSIAS) revised in 2017. The PSIAS require an external quality assessment every 5 years and the next is planned for the Spring of 2024. The HoIAS also conforms to the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019).

The HoIAS works with the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service (IAS) so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the Council's control environment.

There is an Internal Audit Charter mandating the purpose, authority, and responsibility of the internal audit activity. The Charter allows the HoIAS to also be responsible for the administration and development of, and reporting on, the Council's risk management framework. Whilst this does present a potential impairment to independence and objectivity, the HoIAS arranges for any reviews to be overseen by someone outside of the internal audit activity. An independent risk management maturity health check was undertaken during the autumn of 2018 and good progress continues to be made against the recommendations. The next review is planned in the autumn of 2024.

To meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of the Council's control environment i.e. its framework of governance, risk management and control, the HoIAS arranges a risk-based plan of audits on a six-monthly basis.

Internal Audit and Assurance reports often contain recommendations for improvements. The number, type and importance of recommendations determines how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined assessment of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other assurance providers), facilitate the HoIAS in forming the annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment. The HoIAS presented his annual report to Corporate Governance Committee on 26 May 2023 and his opinion read: -

Whilst the IAS staff group encountered some long unplanned absences, there was considerably less disruption from Covid-19, the benefit from pulling back from academy provision was noticeable and overall the resource base was at its strongest for a number of years. The HoIAS considers there was sufficient input across the control environment to be able to give a full opinion. Assurance was supplemented by good relationships with senior management and transparency over reporting significant governance issues in the provisional draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Three audits returning partial assurance ratings were reported to Committee during the year and there were some minor fraud investigations, but management accepted and responded to recommendations. Overall, reasonable assurance is given that the Council's control environment has remained adequate and effective.

### Risk Management

The Corporate Governance Committee has a responsibility to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid decision making relating to the development of services and the transformation of the wider organisation. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

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The Council's Risk Management Policy and Strategy (which provide the framework within which risks can be managed) were reviewed, revised, and approved by the County Council in February 2023.

## Overview and Scrutiny

The cross-party overview and scrutiny function monitors the County Council's financial performance and performance against targets in the Strategic Plan and other related plans on a regular basis. This work is carried out by the Scrutiny Commission and five Overview and Scrutiny Committees which each has responsibility for scrutiny of a particular service area of the Council.

The key areas of activity undertaken by the Scrutiny Commission and the five service-related Overview and Scrutiny Committees during the year included: -

- Provisional Revenue and Capital Outturn 2021-22
- The budget and regular Medium Term Financial Strategy performance monitoring updates
- Annual Reports for 2021-22 on the Commercial Strategy, Corporate Complaints and Compliments, Corporate Delivery and Performance Compendium, the work and performance of the Leicester and Leicestershire Enterprise Partnership and East Midlands Shared Services.
- Leicestershire County Council Community Safety Strategy 2022-26
- Leicestershire Domestic Abuse Reduction Strategy 2022-25
- Corporate Asset Investment Fund Performance for 2021-22 and the Strategy for 2023 - 27
- Corporate Asset Management Plan 2022-26
- SEND Services, SEND Transport and related Finance Pressures
- School admissions
- Corporate Parenting
- Child Criminal Exploitation
- Learning Disability Employment Performance
- Commissioning and Procurement of Homecare Services and the Procurement of Community Life Choices
- Leicester, Leicestershire and Rutland Carers Strategy 2022-25
- Net Zero
- Tree Management and Water Management performance and challenges
- Healthy Child Programme
- Highways and Transport Cabinet Works Programme
- North and Eastern Melton Mowbray Distributor Road Cost Implications
- Leicestershire Highway Design Guide Refresh
- Primary Health Care pressures post Covid-19
- Urgent and Emergency Care performance
- Cancer Performance

The challenge provided by the overview and scrutiny function has continued to be crucial in shaping Council policy and helping to ensure the delivery of efficient, high-quality services. An annual report which summarises the work undertaken during 2022/23 will be published in summer 2023.

## Corporate Governance Committee

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

With regard to the promotion and maintenance of high standards of conduct by members and co-opted members within the County Council, the decisions and minutes of the Member Conduct Panel which meets as required are available on the internet.

The Monitoring Officer submits an annual report to the Corporate Governance Committee on the operation of the Members' Code of Conduct and arrangements for dealing with complaints.

Since July 2021 there have been eight complaints (relating to six members) received by the Monitoring Officer under the Members' Code of Conduct. These complaints were resolved as set out below:

- 3 complaints (2 in relation to one member from the same complainant) were considered to be outside of the scope of the Code;
- 2 complaints did not meet the threshold for further investigation as set out in the scope of the code of conduct
- 2 complaints were resolved informally
- 1 complaint was considered by the Member Conduct Panel and was subject to an independent investigation following which there was no further action in light of a finding that there had been no breach of the Code.

During 2022/23 the Committee has provided assurance that: an adequate risk management framework is in place; the Council's performance is properly monitored; and that there is proper oversight of the financial reporting processes. The table below provides summary information of other key business considered by this Committee during 2022/23 to support the above.

- Quarterly Risk Management Updates and the Risk Management Policy & Strategy
- Indicative External Audit Plan and Audit Risk Assessment 2021/22), External Audit of Statement of Accounts, Pension Fund Accounts and Annual Governance Statement 2021/22; External Audit Plan 2022/23
- Quarterly Treasury Management updates, Changes to Annual Investment Strategy to add to list of Acceptable Investments, Treasury Management Strategy Statement and Annual Investment Strategy 2023/24
- Proposed amendments to the Contract Procedure Rules, and contract exceptions for the period 1 July 2021 to 30 June 2022
- Internal Audit Service progress reports including status of High Importance recommendations; planning for an External Quality Assessment
- East Midlands Shared Service – Internal Audit work undertaken by Nottingham City Council
- Local Code of Corporate Governance
- Governance Arrangements for External Bodies
- Government driven developments in local (external) audit arrangements and update reports
- Revised Members' Planning Code of Good Practice.
- CIPFA Financial Management Code 2021/22
- CIPFA Audit Committee Guidance
- Annual Reports:
  - Treasury Management Annual Report 2021/22
  - Internal Audit Service Annual Report 2021/22 including an opinion on the control environment
  - Annual Report on the Operation of the Members' Code of Conduct 2021/22
  - Clinical Governance Annual Report 2021/22
  - Local Government and Social Care Ombudsman Annual Review 2021/22 and Update on Corporate Complaints and Freedom of Information Requests
  - Resilience and Business Continuity Annual Update

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- Regulation of Investigatory Powers Act 2000 (RIPA) and Investigatory Powers Act 2016 for the period 1 January to 31 December 2022

At its meeting in November 2022, the Committee considered revised membership and terms of reference for the Corporate Governance Committee contained in Part 2 and Part 3 of the Council's Constitution respectively. It specifically supported proposals to appointment up to two Independent Members to the Committee in accordance with CIPFA best practice guidance. This was subsequently supported by the Constitution Committee and approved by the County Council in December 2022. An appointment process began in March with an aim to interview and appoint two Independent Members in May 2023, such appointments being subject to approval by the County Council at its meeting in July 2023.

## **The Chief Financial Officer (CFO)**

The Director of Corporate Resources undertakes the statutory role of the Chief Financial Officer (CFO) for the Council. The CFO conforms to the governance requirements and core responsibilities of two CIPFA Statements on the Role of the Chief Financial Officer; in Local Government (2016) and in the Local Government Pension Scheme (2014). The CFO is a key member of the Corporate Management Team and is able to bring influence to bear on all material business decisions, ensuring that immediate and long-term implications, opportunities, and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO and has completed an assurance statement that provides evidence against core activities which strengthen governance and financial management across the Council.

## **The Financial Management Code**

The CIPFA Financial Management Code translates the principles of good financial management into seven Financial Management Standards. These standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

In January 2023, the Council completed a self-assessment of its compliance with the requirements of the Financial Management Code for 2021-22. The assessment showed that the County Council met the requirements of the Code with some small improvements required. The Internal Audit Service undertook a high-level review of the self-assessment against the Code, and a copy of the assessment was reported to the Corporate Governance Committee in January 2023.

## **Local (External) Audit**

The Council's local (external) auditors, Grant Thornton LLP, presented the findings from their planned audit work to 'those charged with governance' at the Corporate Governance Committee on 16 March 2023.

### **The Auditor's Annual Report (AAR)**

The Auditor's Annual Report (AAR) is a detailed review of the value for money (VfM) arrangements at the Council. The report covered five areas. These were financial sustainability; governance; improving economy, efficiency, and effectiveness, the opinion on the financial statements and pension fund arrangements. Overall, the auditor's report was very positive. The external auditor concluded that the Council has a good track record of sound financial management, had appropriate arrangements in place to manage the financial resilience risks, has a clear and documented governance framework in place and a well-developed performance management framework. No significant weaknesses were reported.

### **Opinion on the Financial Statements**

The auditor gave an 'unqualified' opinion on the 2021/22 financial statements for the County Council and its Pension Fund on 16 March 2023 meaning that the external auditor is satisfied that the financial statements present a true and fair view.

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## Annual Audit Plan for the 2022/23 Accounts

Informing the Audit Risk Assessment and Audit Plan was reported to Corporate Governance Committee at its meeting on 26 May 2023.

## The Monitoring Officer

The Director of Law & Governance undertakes the statutory role of Monitoring Officer (MO) for the Council. The MO has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the MO any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Council and/or Executive accordingly,
- ensuring that decisions taken are in accordance with the Council's budget and its Policy Framework,
- providing advice on the scope of powers and authority to take decisions.

In discharging this role, the MO is supported by the Deputy Monitoring Officer and officers within the Legal and Democratic Services Teams.

## Senior Information Risk Owner

The Assistant Director - Corporate Services undertakes the role of Senior Information Risk Owner (SIRO) for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk. Sound governance is in place, with regular update and exception reports to the Corporate Management Team. The responsibilities of a SIRO include:

- owning the Council's policies, procedures, and processes around information risk, ensuring they are implemented consistently across the Council.
- ensuring compliance with all other policies and procedures relating to information and data.
- acting as a champion on information risk and report to Chief Officers on the effectiveness of risk management.
- leading and fostering a culture that values, protects, and uses information for the success of the Council and benefit of our citizens.
- ensuring that information owners understand their roles.
- ensuring that the Council has a plan to monitor and improve information and data governance.
- maintaining expertise in Data Protection and other legislation that impact on Information and Data Governance; and
- owning the Council's information incident management framework

## Commercial and Collaborative Arrangements

### Commercial

**ESPO** is constituted as a joint committee (of six local authorities) set up to provide a comprehensive professional purchasing service to public sector bodies. It is overseen by a Management Committee which has overall strategic responsibility for ESPO. At its meeting on 22 March 2023, the Committee approved changes to the Finance and Audit Subcommittee (the Subcommittee) Terms of Reference, and the Risk Management Policy which provided delegated powers over Internal Audit, External Audit, Risk Management, and the Annual Governance Statements. Internal audit is undertaken by the Council's Internal Audit & Assurance Service as part of the servicing agreement. Like the County Council, the HoIAS presents an annual report to the Subcommittee at its meeting in October. The annual report incorporates the annual internal audit opinion, which for 2022-23 was as follows:

No significant governance, risk management or internal control failings have come to the HoIAS' attention therefore substantial assurance is given that ESPO's control environment overall has remained adequate and effective. **ESPO Trading Ltd** ESPO's power to trade is restricted to a limited number of public bodies. The establishment of a trading company allows ESPO (Trading) to trade with other organisations – e.g. Care



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Homes, Nurseries, Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

**Eduzone** is a private limited company that supplies Early Years educational products and Early Years furniture to schools, nurseries, and child minders. ESPO acquired the company following the necessary due diligence in 2018. Eduzone has now been incorporated into ESPO Trading Limited.

The **Investing in Leicestershire Programme** (formerly the Corporate Asset Investment Fund (CAIF) Strategy 2022/2026) guides the Council's investments in assets not directly used for the delivery of its services, but which contribute to the outcomes of the Council's Strategic Plan and financial return. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports on a quarterly basis. The CAIF Annual Report for 2021/22 was received by the Scrutiny Commission on 7 September 2022. The CAIF Strategy has been revised to be compliant with the updated CIPFA Code from 2023/24. In light of the CIPFA Code, the County Council will continue to ensure that it will only undertake investments where they are directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. This includes service delivery, housing, and regeneration of areas, which addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Renewable energy generation is also included as a reduction in carbon emissions is a stated aim of the County Council as part of its Declaration of a Climate emergency in May 2019.

The Council also has a trading arm **Leicestershire Traded Services (LTS)**, which sits within the Corporate Resources Department. Its activities are overseen by an Officer Board. The quarterly financial and performance reports include the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies. The Annual Report on the Commercial Strategy 2021/22 was received by the Cabinet on 24 June 2022.

## Collaborative

### East Midlands Shared Service (EMSS)

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

At the Joint Committee on 18 March 2024, it was reported that, 'On the basis of audit work undertaken during the 2022-23 financial year, the Head of Internal Audit (HoIA) at Nottingham City Council concludes that a "limited" level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered. Whilst the direction of travel for the four audits, from 2021/22 to 22/23 has varied, the overall movement over the year is not sufficient to warrant a "moderate" level of assurance. That said, we would fully expect the opinion to improve for 2023/24'.

The position with Nottingham City Council issuing a s114 notice and the appointment of Government Commissioners is being monitored.

### Local Pension Fund

Leicestershire County Council is a scheme manager as defined under the Public Service Pensions Act 2013 and any associated legislation. The County Council has delegated the responsibility for decisions relating to the investment of the Fund's assets to the Local Pension Committee. Membership consists of Councillors from the County, City and District Council together with one university representative and non-voting employee representatives.



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The Local Pension Committee's principle aim is to consider pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities.

On 3 March 2023, the Local Pension Committee approved a Net Zero Climate Strategy.

The Local Government Pension Scheme (LGPS) Regulations require that Leicestershire County Council in its capacity as Administering Authority establishes a Local Pension Board. The purpose of the Board is to assist the Authority in securing compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, the requirements imposed by the Pension Regulator in relation to the LGPS and to ensure the effective and efficient governance and administration of the LGPS.

The Local Pension Board comprises of employer representatives who are all elected members from the County Council and Leicester City Council and employee representatives. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

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

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

The Council is joint owner of LGPS Central Limited which manages the pooled assets of eight Midlands-based local government pension schemes, including Leicestershire. LGPS Central Limited is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds. It has combined assets of approximately £30bn which represents the assets of over 2,000 employing bodies which help to pay for the costs of pensions when they become payable.

The Company aims to use the combined buying power of its Partner Funds to reduce costs, improve investment returns and widen the range of available asset classes for investment for the benefit of local government pensioners, employees, and employers.

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

An annual update on Internal Audit arrangements was provided to the Council's Local Pension Board in April 2023. This included a summary of work completed during 2022/2023 and work planned for 2023/2024. The internal audit functions of the eight LGPS owners have formed an Internal Audit Working Group (IAWG) and agreed a four-year internal audit plan of work from 2019/20 to 2022/23. Audits for the final year of the four-year plan, i.e. 2022/23 audits were assigned to Cheshire West & Chester (Governance) and Derbyshire County Council (Investments). Following completion of these, the four-year cycle will re-start.

In May 2023, the Chief Executive Officer resigned. The Deputy Chief Executive Officer will become Interim CEO while the Board searches for a permanent successor.

### **Active Together**

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

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One of those sub-groups in the 'Business, Oversight and Audit' Committee which oversees business planning, financial and risk reporting, and reports to the Board quarterly. The Assistant Director - Delivery in Public Health is a member of this committee.

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

The LLEP is a private company limited by guarantee (Company No: 11932434).

LEPs are non-statutory bodies and as such require an Accountable Body to manage funding from Government. Leicester City Council is the Accountable Body to the LLEP.

The Accountable Body, through its Section 151 Officer, is responsible for ensuring that statutory requirements are met in resource allocation decisions and that the public interest is protected. It provides financial and legal support and takes the ultimate legal and financial responsibility for the LLEP's activities.

Mr P Bedford CC represents Leicestershire County Council on the LLEP Board of Directors.

In October 2023, the LLEP held its AGM and produced its Annual Report 2022/2023. In September 2021 it reviewed its Local Assurance Framework to ensure compliance with a refreshed National Assurance Framework.

The Chief Executive left in March 2022 and the role was held vacant pending greater clarity on the future role of the LLEP. The new CEO was appointed in March 2023 and took up post in May 2023.

At the end of March 2022, the Government issued guidance on integrating Local Enterprise Partnerships into local democratic institutions which it had introduced in its Levelling Up White Paper and has subsequently consulted stakeholders on ending Government funding to LEPs from the end of March 2024. The decision to end funding was confirmed by the Government in August 2023 and a Transition Board, set up by the LLEP and including a Council officer, is overseeing the transfer of LLEP functions and funds on 1/4/24 to the two upper tier local authorities (Leicester City Council and the County Council) who are considering future governance and business voice arrangements together with delivery priorities. It has been agreed that Leicester City Council will continue as the accountable body. Discussions are also underway to include at a later date Rutland Council in the new arrangements.

The Chair of the Board of Directors stepped down in April 2022, the two vice-chairs are acting as Co-Chairs and a recruitment process for a new chair is currently underway.

The 2021/22 Annual Performance Review was assessed by the Department for Levelling Up, Housing and Communities (DLUHC). The DLUHC assessment found that the Government's expectation for governance and Strategic Impact had been met. However, concerns were identified in Delivery, essentially around delays to schemes allocated funding from the Getting Building Fund. These schemes continue to be delivered in 2022/23.

### **Integrated Care Systems (ICS) & Integrated Care Partnership (ICP)**

ICSs are partnerships that bring together NHS organisations, and upper tier local authorities across NHS footprint of Leicester, Leicestershire, and Rutland (LLR).

The ICP is a statutory committee jointly formed between the Integrated Care Board (ICB) and all upper-tier local authorities that fall within the ICS area. LCC membership includes the Lead member for Health and Wellbeing, the Director of Public Health, the Director of Adult Social Services and the Director of Children and Family Services.

The ICP is responsible for producing an integrated care strategy on how to meet the health and wellbeing needs of the population in the ICS area.

The ICB is also a statutory body and is a successor to the 3 Clinical Commissioning Groups (CCGs). The Director of Public Health represents LCC on the ICB, though in an ex officio capacity not as a representative of the Council as a decision-making body, in accordance with NHS requirements.

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In June 2023, the Government published a response to the House of Commons Health and Social Care Committee's report on 'ICSs: autonomy and accountability'. As a result it is likely that the boundaries of the LLR ICS may change in a 'strategic alliance' with a neighbouring area.

### **Leicestershire Health and Wellbeing Board**

Health and Wellbeing Board acts as a forum in which key leaders from the local health and care system work together to improve the health and wellbeing of the local population and plan how to tackle inequalities in health. This is best achieved by a range of organisations working together and as a result, the Leicestershire Health and Wellbeing Board brings together key organisations: the ICB, District Representatives, NHS England, University Hospitals of Leicester NHS Trust, Leicestershire Partnership NHS Trust, Leicestershire Police, Office of the Police and Crime Commissioner and Healthwatch to ensure patients and service users voices are heard. The Health and Wellbeing Board is chaired by the Council's cabinet lead for Health and the other Council representatives are:

- Lead Members for Adult Social Care & Children & Young People
- The Chief Executive
- The Directors of Public Health, Adults & Communities and Children & Family Services

The Health and Wellbeing Board leads and directs work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services by: -

- Identifying needs and priorities across Leicestershire (the Place), and publishing and refreshing the Leicestershire Joint Strategic Needs Assessment (JSNA) and Pharmaceutical Needs Assessment so that future commissioning/policy decisions and priorities are based on evidence.
- Preparing and publishing a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning group(s) so that work is done across the Place to meet the needs identified in the JSNA in a co-ordinated, planned, and measurable way
- In conjunction with all partners, communicating and engaging with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their personal health and wellbeing
- Approving the Better Care Fund (BCF) Plan including a pooled budget used to transform local services, so people are provided with better integrated care and support together with proposals for its implementation
- Having oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services within the Place.

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

The 2022/23 BCF Policy Framework was published in July 2022 and updated in November 2022.

The annual submission for the 2022/23 financial year was approved by the Health and Wellbeing Board at its meeting on 1 December 2022, subsequent to its submission to NHS England which was done using the Chief Executive's delegated powers in order to meet the deadline submission date of 26 September 2022 (The Integration Executive, a subgroup of the Health and Wellbeing Board with responsibility for the day to day delivery of the BCF, considered the draft BCF Plan 2022/23 at its meeting on the 6 September 2022 and supported its contents). The completed year end BCF 2021-22 template, which demonstrates progress against integration priorities and BCF delivery, was approved for submission to NHS England by the Health and Wellbeing Board at its meeting on 26 May 2022. The work of the Health and Wellbeing Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups (CCGs).

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## East Midlands Freeport

Freeports are a flagship Government programme that will play an important part in the UK's post-COVID economic recovery and contribute to realising the levelling up agenda, bringing jobs, investment, and prosperity to some of the most deprived communities, with targeted and effective support. The East Midlands Freeport (EMF) is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties. The EMF brings together a mix of industries, businesses, and other collaborating partners, combining public and private sector expertise.

Work to develop a Business Case began in 2021 and tax site designation was awarded by HM Treasury in March 2022. The Full Business Case was submitted to Government in mid-April 2022 and full designation has been approved. The Cabinet approved the County Council becoming a member of the newly incorporated Freeport Company, with the Leader as a nominated member to serve on the Board (now Mr Breckon), and to continue the role of lead authority and accountable body for the Freeport. In June 2022, a non-executive Chair of Board was appointed. A Chief Executive started in post in March 2023 and has put together a small team to implement delivery of the Business Plan objectives of the Freeport (EMF), working with the Chair and Board and co-ordinating with stakeholders, business partners and Government Departments to ensure the EMF fulfils its ambitions and obligations.

## East Midlands Development Company (DevCo)

The County Council is a Board member of the DevCo, a company limited by guarantee from April 2021. Its ambition is to be a locally led urban development corporation or a mayoral development corporation, for which there is provision in the Levelling Up and Regeneration Act. The County Council is one of five member authorities / owners of the DevCo. Separately, the County Council is concerned to ensure that the DevCo's Members' Agreement and Grant Agreement are correctly followed, which it does not believe has been the case. In that connection, exempt reports have been made to the Cabinet (May and September 2022 and June 2023) while the Council's membership has been paused. The Council is still waiting for a satisfactory response to its concerns which have been fully set out to the DevCo. The Council's concerns have been noted by our external auditor. The DevCo does not have an accountable body. The DevCo Board is now considering options as to its future, including disbandment or hibernation until the outcome of the 'East Midlands' mayoral election in May 2024 is known.

## Environmental & Waste Collaborations

The County Council through the Environment and Transport Department is partner in a number of environment and waste collaborations and acts as Key Partner in

- Charnwood Forest Regional Park Board - a partnership of local authorities, agencies, user groups and land management organisations, working to manage and promote the unique cultural and heritage features of the area;
- Charnwood Forest Landscape Partnership Scheme Steering Group - an officer led group that oversees the delivery of the National Lottery Heritage Fund funded Landscape Partnership Scheme;
- Air Quality and Health Partnership - Led by Public Health and involving all districts. Responsible for overseeing delivery of the Action Plan to address air quality issues across the county;
- Local Nature Recovery Strategy Steering Group - an officer led group with Leicestershire County Council acting as the 'responsible authority for the development of a Local Nature Recovery Strategy for Leicestershire, Leicester and Rutland as part of a new statutory duty set out in the Environment Act 2021

## Enhanced Bus Partnership

This is a partnership between the County Council and the bus operators and is enabled by the 2017 Bus Services Act and Transport Act 2000, so has a legal status, but is not mandatory. Local authorities which wanted to bid for funding had to establish a partnership and therefore every top tier authority has one (unless they have bus franchising).

## 7. Action Taken on Governance Issues Reported in the 2021/22 AGS

The Council has defined a 'significant governance issue' as one that is intended to reflect something that has happened in the year, or which is currently being experienced and meeting any of the following criteria:

- A. The issue has seriously prejudiced or prevented achievement of a principal objective of the authority;
- B. The issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business;
- C. The issue has led to a material impact on the accounts;
- D. Corporate Governance Committee has advised that the issue should be considered as a 'significant' issue for reporting in the AGS;
- E. The Head of Internal Audit Service has reported on the issue as significant, for reporting in the Annual Governance Statement, in the annual opinion on the internal control environment;
- F. The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- G. The issue has resulted in formal action being taken by the Chief Financial Officer and/or Monitoring Officer;
- H. The issue has resulted in a Legal breach;
- I. The issue prompts intervention from a regulator.

Progress that has been made in dealing with the governance issues that were identified in the 2021/22 final AGS are detailed below:

Issue /Area for Improvement (AGS) 2021/22	Lead Officer and Date	Progress during 2022/23
<p><b>SEN Budget Deficit</b></p> <p>The High Needs Block of the Dedicated Schools Grant remains under significant pressure with an in-year deficit of £10.9m for 2022/23 and a cumulative deficit of £39.7m which is forecast to increase significantly in future years. Increase in demand is also resulting in higher expenditure on the SEND home to school transport budget. The Authority is also experiencing an increasing number of appeals and complaints demand for Leicestershire is participating in the Department for Education's Delivering Better Value in SEND programme. The Authority has entered into a Strategic Partner contract with Newton Europe to deliver the Transforming SEND and Inclusion in Leicestershire (TSIL) programme to create a sustainable SEND system and will align with the DBV programme providing expertise on SEND issues.</p>	<p>Director of Children &amp; Family Services</p> <p>Review April 2023</p>	<ul style="list-style-type: none"> <li>2022/23 in year deficit reduced to £6.7m with a cumulative deficit of £35.5m.</li> <li>The Department for Education, through the Delivering Better Value in SEND programme has provided funding of £1m to assist in delivering sustainable change in SEN provision.</li> <li>The Authority continues to work with Newton Europe in delivering the TSIL programme.</li> <li>Updates on the issue are received by the Corporate Governance Committee within the Risk Management Update reports</li> </ul>
<p><b>Firs Farm – environmental damage and rectification</b></p> <p>A farm estate owned and let by the Council where large amounts of potentially</p>	<p>Director of Corporate Resources</p> <p>Review April 2023</p>	<ul style="list-style-type: none"> <li>Following the evaluation of tenders, a contract was awarded to a leading remediation specialist company at a cost of just over £2.1m plus a £50k contingency to deal with the slurry pit on site. It is hoped that this latter amount will not be needed</li> </ul>

Issue /Area for Improvement (AGS) 2021/22	Lead Officer and Date	Progress during 2022/23
<p>hazardous waste had been allegedly left by a former tenant.</p> <p>A remediation strategy for the farm has been agreed with the Environment Agency. The Council has tendered for the removal and proper disposal of the waste on the farm and reinstatement of the farmland which could incur costs of over £2.4m.</p> <p>The Council's insurance does not cover the type of environmental or illegal waste disposal undertaken on the farm.</p>		<p>after testing is carried out. The evaluation panel was satisfied the tender meets the Council's requirements. The Environment Agency has been consulted throughout the process.</p> <ul style="list-style-type: none"> <li>Update: January 2024. Contracted works on site are largely complete, with only a small volume of waste awaiting Environment Agency problematic waste approval. The clearance and remediation contract has come in on budget. The Environment Agency criminal investigation continues. Awaiting clarification from the Animal and Plant Health Agency (APHA) on slurry pit waste. The farmland is currently being marketed for rental for an initial two year tenancy.</li> </ul>
<p><b>Early Years Budget Deficit</b></p> <p>A £4.2m deficit on the Early Years' budget was identified at the end of the 2021/22 financial year due in part to errors in the completion of the Council's annual Early Years census) since 2020 leading to reduced grant payment to the Council.</p> <p>Representations with the DfE to have the census corrected have proven unsuccessful, and alternative plans are being put into place to recover the deficit. Internal Audit work identified a number of lessons learned and recommendations for process improvement will be shared with management for consideration and implementation.</p>	<p>Director of Children &amp; Family Services</p> <p>Review April 2023</p>	<ul style="list-style-type: none"> <li>The 2023/24 uplift for providers has been set so that the deficit will be gradually reduced over 4 years</li> <li>All providers who had an initial payment for the Spring term 2023 returned their January Census data which was verified across services</li> <li>Before the January data was submitted all data was cross referenced to check for anomalies and errors</li> <li>An Early Years Steering Group has been implemented, with appropriate representation from CFS/Corporate Finance and TU to look at an 'as is' and 'to be' process with the intention to further strengthen the process</li> </ul>
<p><b>Local Government &amp; Social Care Ombudsman (LGSCO) report – Social Care Assessments</b></p> <p>In September 2022, the Local Government and Social Care Ombudsman (LGSCO) issued a report following its investigation into a complaint that the Council had failed to properly undertake a social care assessment and provide support for eligible care needs.</p>	<p>Director of Adults &amp; Communities</p> <p>March 2023</p>	<ul style="list-style-type: none"> <li>All recommendations completed and reported to LGSCO in February 2023.</li> <li>Notification received from LGSCO that they were satisfied with response.</li> </ul>



## 8. Significant Governance Issues Arising During 2022/23

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

Significant Governance Issue 2022/23	Lead Officer and Date
<p><b>School Admissions</b></p> <p>LCC has a duty to provide details of school places allocated on “National Offer Day” (March 1st for primary to secondary transfers). This year was the first time this process was undertaken with the new Synergy system, which holds and processes the applications in conjunction with a parent portal. There were some difficulties in establishing a new process with this system. Parents were told, as in previous years, that offer information would be available from midnight. As a result of some technical configuration issues the information was not available on the portal. In addition to this, for a short period the portal was also unavailable. On the morning of 1st March, parents were sent a letter with the details of school place offer. Apart from a very small number of parents, where information had not been exchanged with a neighbouring authority all parents received their offers on March 1st, however the standard of communication did not meet expectations.</p> <p>The next phase transfer round (first time primary applications) ran smoothly. A longer-term clear process map with monitoring and checkpoints was executed and additional specialist IT support was employed.</p>	<p>Director of Children &amp; Family Services</p> <p>Issue Closed</p>
<p><b>SEND OfSTED re-visit</b></p> <p>Ofsted and CQC undertook the Leicestershire Local Area SEND Inspection in February 2020 and found a number of strengths and areas for improvement, with two areas identified within a Written Statement of Action. These two areas related to the lack of an overall SEND Commissioning Strategy across the partnership and the need to improve the Quality of EHC Plans.</p> <p>The SEND reinspection took place from 14 to 16 November 2022 and focused only on the two areas identified for the Written Statement of Action. The report, dated 13 December 2022, found that sufficient progress had been made with regards to Joint Commissioning Strategy for SEND but that further progress is needed regarding the Quality of EHC Plans. The inspection team (again made up of Ofsted and CQC) did find that improvements had been made in newer plans but were concerned that too many plans remained in the pre-2020 format and also that timeliness for the completion of plans had slipped, affecting parental confidence in the system.</p> <p>Following the outcome of the revisit the Local Area (Local Authority and the Integrated Care Board (ICB) produce an Accelerated Progress Plan (APP) to set out how improvements in quality of education health and care plans would be made. The APP focusses upon three areas identified as critical in improving the quality of EHC Plans; processes around initial EHC Needs Assessment, processes around Annual Reviews and our Quality Assurance/Audit Framework. Progress on the APP is monitored by senior health and LA managers on a weekly basis, with a formal meeting with the, SEND Hub, Health and DfE on a bi-monthly basis. Formal monitoring has taken place by the DfE at 6 monthly periods.</p>	<p>Director of Children &amp; Family Services</p> <p>January 2024</p>

Progress against the actions in the plan has been good, with a clear focus on improving the quality of education health and care plans. Timeliness of completing EHCP remains a significant challenge and remains below the target of 20 weeks. Work continues to take place in the Department to improve timeliness with a

The APP is overseen by the SEND and Inclusion Board which is a multi-agency partnership that reports to the Health and Wellbeing Board.

The Council has identified areas to be developed which are reported in the Annex to the AGS.

The Code of Practice on Local Authority Accounting in the UK 2022/23, requires that significant events or developments relating to the governance system that occurred between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts will be signed by the responsible financial officer, are reported. The draft AGS was updated in line with the Code of Practice.

## 9. Future Challenges

Significant challenges faced by the Council such as the continuing economic and health and wellbeing impacts of covid-19, continuing funding shortfalls, driving further Health and Social Care integration, social care reform etc are detailed within the Corporate Risk Register, which is regularly reviewed by the Corporate Management Team and presented to the Corporate Governance Committee (the Committee). Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring, and maintaining the Council. The most recent update of the Corporate Risk Register was received by the Committee at its meeting on 27 January 2023.

Additional challenges continue to emerge, and key areas in particular are:

### Financial Sustainability

There is a continued need for additional Local Government funding, that the spending review in 2021 did not adequately address. Service demand pressures continue to be felt in social care and SEND, which are only partially met by Council Tax increases and are driving the requirement for savings. The level of growth has taken a step higher following the coronavirus pandemic and the Council is dependent upon continued additional Health funding to manage.

National reforms are being developed for SEN and social care; the information provided to date is raising concerns that there is a real risk of a material negative financial impact.

All services are facing unprecedented inflationary pressure reflecting the wider economy. The council's finances are particularly sensitive to increases in the National Living Wage, which is expected to be driven significantly higher by greater wage growth in the wider economy. The impact on the County Council's budget will be profound. The budget gap in 2023/24 is expected to grow from a manageable £8m at the time the MTFS was approved in February to c£12m based on current inflation projections, despite assuming the maximum council Tax increase. Over the life of the MTFS the gap could increase to over £80m unless mitigation actions are taken. These estimates will become quickly out of date if the trend of worsening economic news does not stop.

Unless there is a significant change in Government's stance on funding it is highly likely that reserves will be required to balance the budget in both 2023/24 and 2024/25, this is clearly not a sustainable position. The County Council will need to identify mitigations that allow 2025/26 to be balanced without the use of reserves. This includes a reinforcement of existing financial control measures and the introduction of new ones to ensure a tight focus on eliminating non-essential spend.



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## Covid-19 Public Inquiry

In May 2021, the Prime Minister announced that a public inquiry into the Covid-19 pandemic would be established. In March 2022, the appointed Chair of the Inquiry (Baroness Hallett) began a public consultation on the draft terms of reference. This lasted until April and in May she wrote to the Prime Minister to explain that she had amended the Terms of Reference to reflect the consultation responses. It is not clear how or which local authorities will be selected to contribute to the Inquiry or whether the County Council may wish to volunteer material, but if there is to be involvement then the impact could be significant. In preparation officers have begun an exercise to identify documents, records and decisions and implement a process to ensure that any related information is preserved and readily available.

## Assistance with migrants and asylum seekers, and the Homes for Ukraine Scheme..

With effect from 1st April 2023 the Home Office implemented a full asylum dispersal model. Under the policy all local authority areas will be expected to accommodate asylum seekers irrespective of whether they have the local services, capacity, or capability to manage dispersal. The Government's accommodation providers will be seeking to procure housing across the country on a pre-approved postcode basis. Any postcode that is determined to be suitable for asylum accommodation will then be pre-approved and the grounds upon which local authorities can object to the housing severely limited. This policy has been adopted to reduce the use and costs of hotel accommodation and, to ensure that there is not over reliance on existing local authority dispersal areas. Funding will be made available to local district councils housing asylum seekers in their areas. No specific funding is being made available to upper tier authorities.

As a result of the new full dispersal policy the number of asylum seekers arriving in the County has increased over time which has created additional unfunded demand for school places, specialist mental health services, and social care support (adults, children, and SEND).

In addition to dispersed accommodation the Home Office has stood up Contingency Hotel accommodation in the County in response to small boat crossings. There are currently four hotels housing asylum seekers, single males or families, across the County. The use of these hotels has created additional demands on public services including social care, schools, and school transport. The Council receives no funding for the bedspaces at these hotels.

Under the Illegal Migration Act the Home Secretary is under a duty to set a cap on the number of entrants to the UK arriving via safe and legal routes for humanitarian purposes and for this cap to be defined following consultation with local government. Consequently, the Home Office undertook a consultation exercise to inform the level at which the cap on safe and legal routes is set. The purpose of the cap will ensure the UK is able to welcome, accommodate, integrate, and support those arriving via these routes in an orderly and appropriate way. This will ensure that the UK does not take more refugees than public services and communities can cope with. In response to the consultation exercise the County Council has formally informed the Home Office that it is not able to accept any additional asylum seekers or refugees until further notice. This is due to several factors including the lack of detail in the consultation exercise, the impact of current schemes, the lack of direct funding for upper tier services, and the capacity and capability of already stretched services to support further families and individuals.

The Council continues to work with partners to administer the Homes for Ukraine scheme which was set up by the Government in response to the humanitarian crisis in Ukraine. In addition to administering the scheme the Council and partners are subject to resource pressures as sponsor/ guest arrangements breakdown and there is a subsequent need to either rematch to new sponsors or find alternative accommodation. The scheme also presents challenges in terms of the allocation of school places.

## Recruitment and retention

The current workforce shortage is becoming acute in a number of areas, and with the ongoing impact of the cost-of-living crisis, is likely to get worse. Staffing costs are likely to rise, through having to put market premia / retention payments in place to counter what is happening in the wider market, and we are only at the early stages of this year's national pay negotiations, whilst costs continue to rise sharply. Should the Council be unable to recruit and/or retain staff in key areas, it faces the real risk of being unable to deliver some of its services in the future. As well as short-term solutions, as an employer, the Council has to develop long term initiatives and also to market itself as an employer to best effect.

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## CONTEST Strategy

The Council is beginning to plan to meet its 'Prevent' and 'Protect' (Martyn's Law) duties under 'CONTEST' (the Government's Counter-terrorism strategy).

### 10. Certification

The Council has been hugely impacted by the coronavirus pandemic. Nevertheless, despite the challenges, the Council has maintained consistent essential services for residents, whilst adapting to provide alternative virtual services wherever possible. The Council's strong collaborative approach has been effective at achieving a unified response, working with key partners in the NHS, police and voluntary and community sectors.

The Council's Strategic Plan 2022-26 and Medium-Term Financial Strategy will continue to be reviewed and updated to assess the medium-term impacts of the pandemic on the Council's financial position.

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

We propose over the coming year to take steps to address any matters to further enhance our governance arrangements in these challenging times. We are satisfied that these steps will address the need for any developments that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.



John Sinnott  
Chief Executive



Nicholas Rushton  
Leader of the Council



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Dated: 24<sup>th</sup> May 2024

Certified at the Constitution Committee

### AREAS FOR FURTHER DEVELOPMENT IN 2023-24

The Corporate and Departmental AGS self-assessments contained a set of conformance statements under each core principle and related sub-principles as outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). Each conformance statement required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria below:

Score	Definition	Description	Evidence (all inclusive)
1	Good 	Conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.	Many elements of good practice to a high standard and high quality.  Substantial assurance can be given that coverage of the sub-principle is operating satisfactorily and extends to most/all services areas within the department
2	Some development areas for improvement 	There are some developments required against areas of the benchmark and the department may not deliver some of its own and the Council objectives unless these are addressed. The management of strategic, reputational and/or financial risks is inconsistent, and performance is variable across the department.	Some elements of good practice to a high standard and high quality.  Moderate assurance can be given that coverage of the sub-principle is working adequately in certain service areas, with omissions in others.  Proposal/Plans are in place to address perceived shortfalls
3	Key development and many areas for improvement 	Conformance against many/all areas of the benchmark is poor and therefore delivery of departmental and Council objectives is under threat. There are many strategic, reputational and/or financial risks and performance is off track.	Few elements of good practice to a high standard and high quality.  Coverage of this expectation is omitted amongst most areas.  Proposal/Plans to address perceived shortfalls are in early stages of development

Examples of key actions is summarised in the table below.

Note: some actions are not included in the table as they are already reported through the Corporate Risk Register (CRR).

**Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)**

Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further in 2023/24 (Ongoing and New)
<b>Principle A:</b>  Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		<ul style="list-style-type: none"> <li>It is planned to relaunch the Leadership Management Framework, in the early part of 2023 which has a key focus on importance of the Council's Values in leadership and management and the expectation placed on employees to adopt these in their way of working. In addition, these are also integral in all team building and customer service learning and development programmes.</li> <li>A revised Manager's Induction Programme as part of the revised Corporate Induction Programme will be launched in the early part of 2023 which includes information on the Council's Values.</li> <li>Full implementation of the Anti-Fraud &amp; Corruption Strategy Action Plan over the course of the two-year period 2022-2024</li> </ul>
<b>Principle B:</b>  Ensuring openness and comprehensive stakeholder engagement		
<b>Principle C.</b>  Defining outcomes in terms of sustainable economic, social, and environmental benefit		<ul style="list-style-type: none"> <li>Continuing to develop the approach to multi-year monitoring of large and complex capital schemes to ensure medium term implications brought out, including risks and mitigations.</li> </ul>
<b>Principle D.</b>  Determining the interventions necessary to optimise the achievement of the intended outcomes		<ul style="list-style-type: none"> <li>Develop arrangements further in the light of enhanced data requirements as a result of Office for Local Government establishment.</li> <li>Continue to push for fairer funding sought to ensure longer term service sustainability</li> <li>Refreshed approach, guidance, support, policy, and procedure for Social Value will be presented to Corporate Governance in May 2023 for signoff, the new approach seeks to achieve improved outcomes and improved reporting.</li> </ul>
<b>Principle E.</b>  Developing the entity's capacity including the capability of its leadership and the individuals within it		<ul style="list-style-type: none"> <li>Appoint and develop the role of Independent Members of the Corporate Governance Committee</li> </ul>
<b>Principle F.</b>  Managing risks and performance through robust internal control and strong public financial management		<ul style="list-style-type: none"> <li>Review and develop a fuller set of performance metrics and monitoring in light of requirements and data emerging from the establishment of the new Office for Local Government.</li> <li>Increased use of benchmarking information.</li> <li>Data Strategy and review being progressed to further enhance the Council's data management arrangements.</li> </ul>

<p><b>Principle G.</b></p> <p>Implementing good practices in transparency reporting and audit to deliver effective accountability</p>		<ul style="list-style-type: none"> <li>• Continuous development of procurement pipelines by departments.</li> <li>• Transparency requirements will be reviewed in 2023 for alignment with new legislation (Transforming Public Procurement)</li> <li>• Develop the Corporate Governance Committee reporting annually to full Council</li> <li>• Arrange for independent reviews of the internal audit and risk management functions</li> <li>• Implement Risk of Governance Failings - Action Plan</li> </ul>
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## Glossary of Terms

### ACCOUNTING POLICIES

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

### AMORTISED COST

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

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

### CASH AND CASH EQUIVALENTS

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

### CAPITAL EXPENDITURE

Payments for the acquisition, construction, enhancement or replacement of assets such as land, buildings, roads, and computer equipment.

### CAPITAL RECEIPTS

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

### CAPITAL RESERVE

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

### COLLECTION FUND

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

### COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

A statement which details the total income received and expenditure incurred by the Council during a year in line with IFRS reporting as required by the Code.

### CREDITORS

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

### DEBTORS

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

### DEFERRED CAPITAL RECEIPTS

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

### FAIR VALUE

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

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

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

## **GENERAL FUND**

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

## **IMPAIRMENT**

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

## **INFRASTRUCTURE**

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

## **INTANGIBLE ASSET**

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

## **LEASING**

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

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

## **LONG TERM BORROWING**

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

## **MINIMUM REVENUE PROVISION**

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

## **MOVEMENT IN RESERVES STATEMENT**

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

## **NON CURRENT ASSETS**

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

## **NON-OPERATIONAL ASSETS**

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

## **PRECEPTS**

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

## **PROVISION**

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

## **PUBLIC WORKS LOAN BOARD (PWLb)**

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

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## **REMUNERATION**

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

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

## **REVENUE SUPPORT GRANT (RSG)**

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

## **RECHARGE**

The transfer of costs from one service account to another.

## **REVENUE FUNDING OF CAPITAL**

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

## **REVENUE**

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

## **SERVICE LEVEL AGREEMENT (SLA)**

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

## **SHORT TERM ACCUMULATING COMPENSATED ABSENCES ADJUSTMENT ACCOUNT**

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

## **SPECIFIC GRANTS**

Grants paid by the Government for a particular service.

## **TERMINATION BENEFITS**

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

## **TRUST FUNDS**

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

## **USABLE RESERVE**

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

## **UNUSABLE RESERVE**

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





Copies of this Statement of Accounts are available from:

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The accounts can also be viewed at [www.leicestershire.gov.uk](http://www.leicestershire.gov.uk)