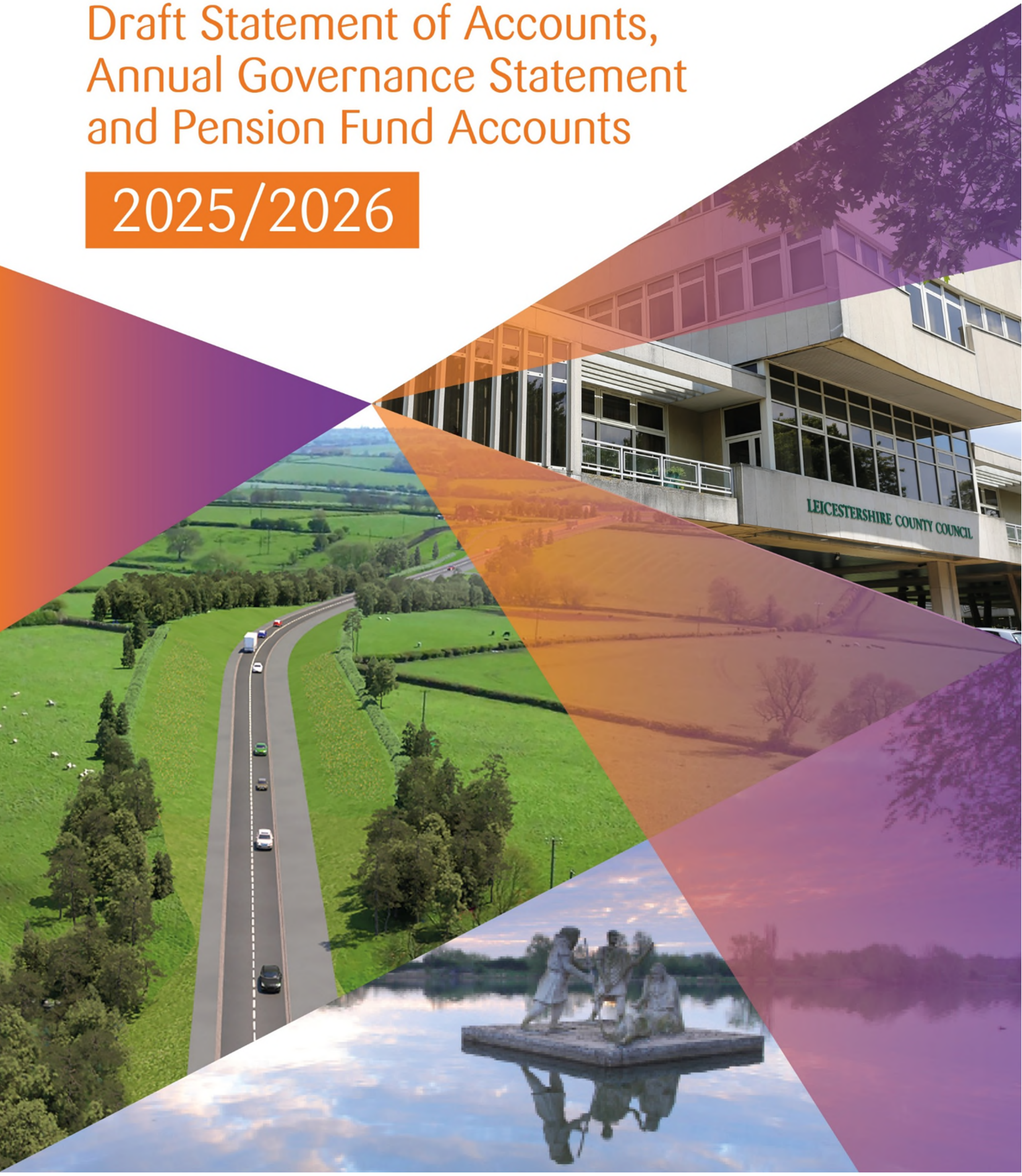
Leicestershire County Council

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

2025/2026



Leicestershire County Council, Draft Statement of Accounts, Annual Governance Statement and Pension Fund Accounts 2025/26

Narrative Statement

1. Organisational Overview and External Environment

The Council has consolidated its priority outcomes into its Strategic Plan. 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. The Council has saved £290m since 2010, however, a further £115m of identified savings will need to be delivered by 2029/30 as well as closing an estimated funding gap of £36m in 2027/28 rising to £85m by 2029/30. Reductions in past government funding, rising demands and rising inflation have made it increasingly difficult to maintain good service delivery levels necessitating a continual program of change and improvement activity.

The Government has introduced a Fair Funding settlement for 2026/27 to 2028/29 which includes some improvements to the previous system, but changes have been made to divert funding to urban councils at the expense of rural ones, despite the updated funding needs assessment showing that county areas have seen the biggest increases in needs. The new settlement has had a limited impact on the Council's financial position.

Leicestershire as a Place

Leicestershire covers an area of 208,000 hectares, with a population of around 746,000 people. The population grew by 9.5% between 2011 and 2021, which is faster than the national and regional growth rates. The County population is predicted to reach 870,000 by 2047, with particular growth among the over 70s. 67% of Leicestershire's population lives in urban areas, while 20% lives in larger rural settlements and 12% in smaller rural settings.

Out of work benefit claimant rates are consistently below national and regional levels but remain higher than before the Covid-19 pandemic. Professional, Scientific and Technical is the largest industrial sector in the county, accounting for 13% of all employment, followed by Manufacturing (12%) and Transport and Storage (10%). 94% 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 Council and the Leicestershire district authorities) and working regionally on economic and transport planning, such as with the East Midlands 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 5,941 employees (excluding schools) organised into 6 departments:

- Adults and Communities
- Chief Executive's
- Children and Family Services
- Corporate Resources
- Environment and Transport
- Public Health

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 2025/26. 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 2025/26 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.

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 and Green:** the need to protect and enhance the environment and tackle climate change.
- **Great Communities**: to have active and inclusive communities in which people support each other and participate in service design and delivery.
- **Improved Opportunities:** all children and young people get the best start for life and have the opportunities they need to fulfil their potential, regardless of their circumstances.
- **Strong Economy, Transport and Infrastructure**: use local innovation and skills to build a productive, inclusive and sustainable economy at the cutting edge of science, technology and engineering.
- **Safe and Well:** ensuring that people are safe and protected from harm, live in a healthy environment and have the opportunities and support they need to live active, independent and fulfilling lives.

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 2025/26 is set out below:

2024/25 Budget	2024/25 Outturn	2024/25 Variance		2025/26 Budget	2025/26 Outturn	2025/26 Variance
£m	£m	£m		£m	£m	£m
241.1	223.7	(17.3)	Adults and Communities	252.6	248.7	(3.9)
16.8	16.0	(0.8)	Chief Executive's	17.4	16.9	(0.5)
124.2	132.9	8.8	Children & Family Services	145.4	148.0	2.6
41.0	40.0	(1.1)	Corporate Resources	41.3	40.5	(0.9)
112.9	111.1	(1.8)	Environment & Transport	123.2	117.4	(5.7)
(2.6)	(2.6)	-	Public Health	(2.7)	(2.7)	-
34.2	40.2	6.0	Central Items and Contingencies	38.2	39.2	1.0
-	8.8	8.8	Approved additional commitments	-	7.0	7.0
567.6	**570.2**	**2.5**		**615.4**	**615.0**	**(0.3)**
			Funded by:			
(97.9)	(100.4)	(2.5)	Business Rates	(100.4)	(100.1)	0.3
(399.8)	(399.8)	-	Council Tax	(424.0)	(424.0)	-
-	-	-	Revenue Support Grant	(1.3)	(1.3)	-
(69.9)	(69.9)	-	General Grants	(89.7)	(89.7)	-
(567.6)	**(570.2)**	**(2.5)**		**(615.4)**	**(615.0)**	**0.3**
-	**-**	**-**	**NET OUTTURN**	**-**	**-**	**-**

The 2025/26 net outturn showed a balanced position, after funding of £7.0m was set aside for additional commitments for debt repayment (£2.5m), the highways investment fund (£2.5m) and the Council's efficiency review (£2.0m).

The financial year saw additional increasing cost and demand pressures on Children's social care services and special educational needs. Environment and Transport had a net underspend of £5.7m, over half of which related to the early achievement of savings, with the balance relating to additional income and recruitment challenges. Adults and Communities had a net underspend of £3.9m, mainly due to higher income and vacancies, partly offset by higher costs for supported living and direct payments. Following the outturn position a review will be undertaken to determine if there are any reductions that can be made to the 2026/27 budget.

The Authority has made significant progress in achieving the savings in the MTFS, but there is still a long way to go. The 2026-30 MTFS includes a savings requirement of £199m, including High Needs Dedicated Schools Grant savings of £66m.

Capital Budget

A summary of the capital outturn for 2025/26 is set out below:

2024/25 Budget	2024/25 Outturn	2024/25 Variance	Capital	2025/26 Budget	2025/26 Outturn	2025/26 Variance
£m	£m	£m		£m	£m	£m
7.1	5.6	(1.5)	Adults & Communities	6.1	6.1	-
44.4	48.7	4.4	Children & Family Services	52.3	31.4	(20.9)
16.3	2.3	(14.0)	Corporate Programme	18.7	13.5	(5.2)
4.5	2.2	(2.3)	Corporate Resources	4.2	1.7	(2.5)
95.9	75.3	(20.7)	Environment & Transport	124.0	87.5	(36.5)
168.2	**134.1**	**(34.1)**		**205.4**	**140.2**	**(65.2)**

Overall, there has been a net variance of £65m compared with the updated budget. The net variance has been carried forward to the 2026-30 capital programme to fund the rephasing of expenditure on projects.

During 2025/26, the Council invested £140m in a number of capital projects, all funded without the need for any new borrowing, including: £31m investment in Children and Family Services (including the creation of 1,625 additional school places), £35m investment in highways asset maintenance, and £48m on major infrastructure projects across 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.

Further details of the budget outturn variances for revenue and capital can be found in the outturn report to the Cabinet dated 26 May 2026 available on the Council's Website.

6. Operational Performance

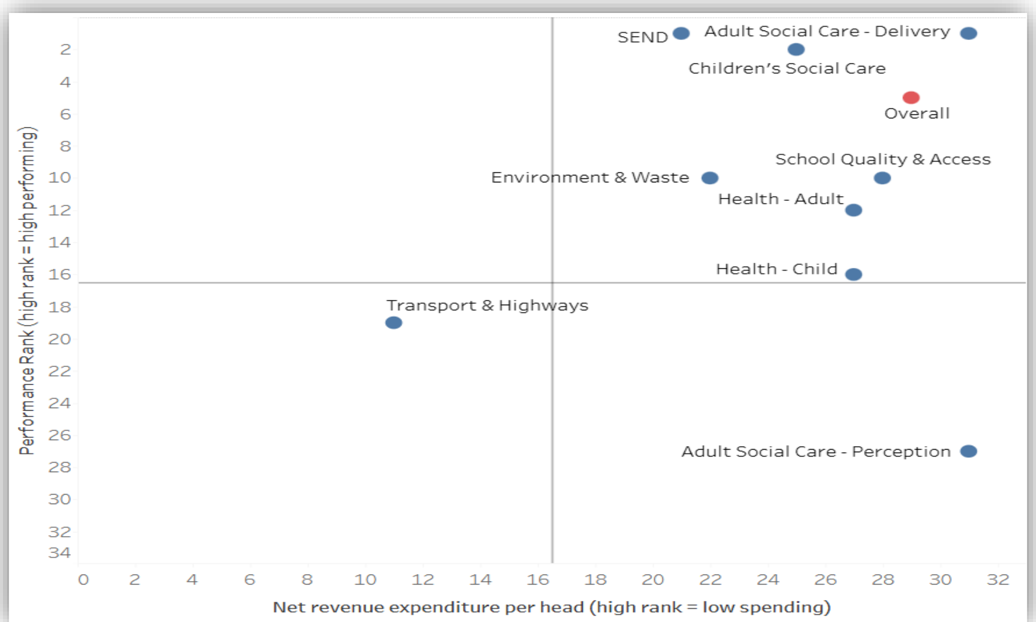
The Council maintains a strong focus on performance management through its corporate performance management, commissioning and benchmarking arrangements. Performance management is well embedded through regular performance reporting across organisational governance arrangements.

The Council regularly monitors its performance position and areas for improvement through service benchmarking. Looking at published data for 2024/25, the Council's overall performance position was 4th of 31 two-tier county and county unitary authorities, using a basket of over 270 performance indicators spanning Council and partnership activity.

The chart below summarises County Council spend and performance relative to the 31 counties and county unitaries that we use as our main comparison group. The chart shows rank of net revenue expenditure per head across the horizontal axis and performance rank on the vertical axis. The top right quadrant represents low relative spend and high relative performance. The chart shows performance positions for various delivery themes. Historically the Council has been among the lowest funded and lowest spending per head.

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

Chart: Theme performance benchmarking rank vs. rank of net revenue expenditure per head 2024/25



7. Medium Term Financial Strategy

Medium Term Financial Strategy (MTFS) 2026-30

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 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 2026 is based on an approved council tax increase of 2.99% for 2026/27, followed by assumed annual increases of 2.99% in the following years. Delivery of the MTFS requires General Fund savings of £133m to be made between 2026 and 2030. The MTFS sets out in detail £48m of savings and proposed reviews that will identify further savings to offset the forecast £85m funding gap by 2029/30. In addition, a further £66m of savings is planned over the MTFS period relating to special education needs and disability (SEND) within the Dedicated Schools Grant (DSG). At year end, 31 March 2026, the Council had a DSG deficit of £79m which is forecast to exceed £400m by 2030.

In February 2026, the Government has announced support to local authorities with DSG deficits, including up to 90% funding of deficits as at 31 March 2026 subject to DfE approval of a local SEND reform plan and a detailed review of local Authority DSG accounts. However, details relating to deficits after that date and until the DfE intend to cover SEND spending centrally from April 2028 have not yet been made clear and are currently uncertain.

In respect of Local Government Reorganisation (LGR) the MTFS for 2026-30 was based on a neutral position while a decision from government is awaited. The Council has however set aside £12m in an earmarked reserve to contribute to the costs of LGR.

Strong financial control plans and discipline will be essential in the delivery of the MTFS. In setting the MTFS the Authority does not anticipate that it will need to issue a Section 114 notice (Local Government Finance Act 1988) in 2026/27, but future years are uncertain given ongoing demand pressures, the outcome of Local Government Reorganisation and the impact of further government reforms. This position will be reviewed each year as part of the exercise to roll forward 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

8. English Devolution

The English Devolution White Paper (published in December 2024) set out the government's vision for simpler local government structures. Alongside this, the government also set out plans for a joint programme of devolution and local government reorganisation.

In February 2025 the Minister of State for Local Government and English Devolution issued a statutory invitation to all councils in 2-tier areas and small neighbouring unitary authorities to develop proposals for unitary local government. These will bring together lower and upper tier local government services in new unitary councils to deliver LGR. This invitation requested that councils produce interim plans and submit these to government by 21 March 2025, setting out their progress on developing proposals in line with the criteria and guidance.

Three interim plans covering Leicester, Leicestershire and Rutland have been submitted in proposals to the Government:

- one by Leicestershire County Council, for a single county unitary for Leicestershire and Rutland.
- a north/south (Rutland) approach – with North West Leicestershire, Charnwood and Melton in the north, Hinckley, and Bosworth, Blaby, Oadby and Wigston, Harborough and Rutland in the south, and
- a third by Leicester City Council, for an expansion to the City's boundaries and a single county unitary for Leicestershire and Rutland.

Full business cases were submitted in November 2025 with the Government consulting on the proposals in early 2026, the County Council submitted its response on 26 March 2026. A decision on LGR is expected to be made by the Government in July 2026.

9. 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 was £1.2bn as at 31 March 2026 (£1.1bn, 31 March 2025). The CFR was £193m as at 31 March 2026 (£198m, 31 March 2025) and actual debt was £131m as at 31 March 2026 (£175m, 31 March 2025). The difference between the CFR and the actual debt is temporarily funded by internal borrowing using the Authority's investment balances. During 2025/26 no new external loans were raised (£0m 2024/25). Details of the loans held by the Authority are shown in note 4 to the financial statements. The level of capital borrowing is within the Authority's 2025/26 prudential indicators that inform the Authority whether its capital investment plans are affordable, prudent and sustainable.

Investments held by the Authority total £387m as at 31 March 2026 (£410m, 31 March 2025). 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.

10. 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 2026. 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, which in turn is underpinned by International Financial Reporting Standards adapted for use in a public sector context. The Statement of Accounts consists of:

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.

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.

Balance Sheet:

The Balance Sheet shows the value as of 31st March 2026 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'.

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.

Disclosure Notes:

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

Pension Fund:

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

11. Date of Authorisation of Accounts

The draft accounts were authorised for issue by the Director of Corporate Resources on the 30 June 2026. This was the last date when events after the Balance Sheet date have been considered.

DECLAN KEEGAN
DIRECTOR OF CORPORATE RESOURCES
30 JUNE 2026

Comprehensive Income and Expenditure Statement

2024/25 Gross Expenditure £m	2024/25 Gross Income £m	2024/25 Net Expenditure £m		Note	2025/26 Gross Expenditure £m	2025/26 Gross Income £m	2025/26 Net Expenditure £m
			CONTINUING SERVICES				
319.8	(124.9)	194.9	Adults and Communities		346.6	(129.1)	217.5
20.0	(7.1)	12.9	Chief Executive's		22.9	(7.4)	15.5
494.4	(327.3)	167.1	Children and Family Services		538.9	(362.9)	176.0
88.3	(42.9)	45.4	Corporate Resources		91.4	(39.7)	51.7
157.4	(26.1)	131.3	Environment and Transport		168.6	(46.6)	122.0
34.2	(33.6)	0.6	Public Health		37.4	(38.0)	(0.6)
1.7	(48.3)	(46.7)	Central Items		4.3	(56.2)	(51.9)
1,115.9	**(610.2)**	**505.6**	**NET COST OF SERVICES**		**1,210.1**	**(679.8)**	**530.3**
0.3	(0.1)	0.2	Other Operating Expenditure (Excluding transfer of Academies)	*12*	0.3	(1.2)	(0.9)
7.2	-	7.2	Other Operating Expenditure (Transfer of Academies)	*12*	22.0	-	22.0
109.9	(118.0)	(8.1)	Financing and Investment Income and Expenditure	*13*	132.8	(133.4)	(0.6)
-	(554.6)	(554.6)	Taxation and Non-specific Grant Income	*14*	-	(592.9)	(592.9)
		(49.7)	**(SURPLUS) / DEFICIT ON PROVISION OF SERVICES**				**(42.2)**
			Items that will not be reclassified to the (surplus) or deficit on the provision				
		(21.9)	Surplus on Revaluation of Property, Plant and Equipment	(notes *16,18*)			(27.8)
		19.5	Remeasurement of the Net Defined Benefit Liability/(Asset)	(note *15*)			36.9
		(2.4)	**Total Items that Will Not Be Reclassified to the (Surplus) or Deficit on the Provision of Services**				**9.1**
		(52.1)	**TOTAL COMPREHENSIVE (INCOME) AND EXPENDITURE**				**(33.1)**

Movement In Reserves Statement

	General Fund Balance* £m	Earmarked Reserves Balance £m	Total General Fund Balance £m	Capital Receipts Reserve £m	Capital Grants Unapplied £m	Total Usable Reserves £m	Unusable Reserves £m	Total Authority Reserves £m	Note
Movement In Reserves During 2025/26									
Balance at 31 March 2025	**25.7**	**306.7**	**332.4**	**0.2**	**10.3**	**343.0**	**881.9**	**1,224.9**	
Total Comprehensive Income and Expenditure	42.2	-	**42.2**	-	-	**42.2**	(9.1)	**33.1**	
Adjustments between accounting basis & funding basis under regulation	(29.5)	-	**(29.5)**	(0.2)	(4.6)	**(34.4)**	34.4	**-**	8
Transfers (to)/from Earmarked Reserves	(15.9)	15.9	**-**	-	-	**-**	-	**-**	
Increase/ (Decrease) in Year	(3.3)	15.9	**12.7**	(0.2)	(4.6)	**7.8**	25.3	**33.1**	
Balance at 31 March 2026	**22.4**	**322.7**	**345.1**	**-**	**5.7**	**350.9**	**907.2**	**1258.0**	
Movement In Reserves During 2024/25									
Balance at 31 March 2024	**26.0**	**294.4**	**320.4**	**5.2**	**24.7**	**350.3**	**822.5**	**1,172.8**	
Total Comprehensive Income and Expenditure	49.7	-	**49.7**	-	-	**49.7**	2.4	**52.1**	
Adjustments between accounting basis & funding basis under regulation	(37.6)	-	**(37.6)**	(5.0)	(14.3)	**(56.9)**	56.9	**-**	8
Transfers (to)/from Earmarked Reserves	(12.3)	12.3	**-**	-	-	**-**	-	**-**	
Increase/ (Decrease) in Year	(0.3)	12.3	**12.0**	(5.0)	(14.3)	**(7.3)**	59.4	**52.1**	
Balance at 31 March 2025	**25.7**	**306.7**	**332.4**	**0.2**	**10.3**	**343.0**	**881.9**	**1,224.9**	

*includes schools' balances.

Balance Sheet

31 March 2025 £m		Note	31 March 2026 £m
485.7	Land and Buildings	*16*	493.2
13.8	Vehicles, Plant, Furniture & Equipment	16	12.4
470.2	Infrastructure Assets	17	515.2
11.3	Community Assets	16	11.3
131.3	Assets Under Construction	16	146.0
1.0	Surplus Assets	16	1.7
1,113.3	**Total Property, Plant and Equipment**		**1,179.8**
2.5	Investment Property	19	1.8
6.4	Heritage Assets	18	6.4
0.4	Intangible Assets	16	0.0
54.8	Long Term Investments	20	50.2
24.9	Long Term Debtors	22	22.7
1,202.4	**TOTAL NON-CURRENT ASSETS**		**1,260.8**
18.5	Assets Held for Sale	16	12.5
1.8	Inventories	21	1.8
137.5	Short Term Debtors	23	132.7
51.0	Cash and Cash Equivalents	24	19.9
355.1	Short Term Investments	20	336.8
563.7	**TOTAL CURRENT ASSETS**		**503.7**
(3.0)	Short Term Borrowing	20	(2.2)
(221.3)	Short Term Creditors	26	(215.0)
(25.6)	Short Term Capital Grants Receipts in Advance	36	(29.9)
(1.2)	Short Term Lease Liabilities	40	(0.7)
(4.7)	Short Term Provisions	27	(4.4)
(256.0)	**TOTAL CURRENT LIABILITIES**		**(252.4)**
(177.1)	Long Term Borrowing	20	(132.5)
(1.8)	Long Term Lease Liabilities	40	(2.0)
(8.0)	Long Term Creditors	25	(9.7)
(1.1)	Long Term Provisions	27	(0.9)
(28.0)	Net Pensions Liability	9	(27.4)
(69.4)	Long Term Capital Grants Receipts in Advance	36	(81.6)
(285.3)	**TOTAL NON-CURRENT LIABILITIES**		**(254.1)**
1,224.9	**NET ASSETS / (LIABILITIES)**		**1,258.0**
25.7	General Fund	10	22.4
306.7	Earmarked Revenue Reserves	11	322.7
0.2	Capital Receipts Reserve		-
10.3	Capital Grants Unapplied		5.7
343.0	**TOTAL USABLE RESERVES**		**350.9**
303.5	Revaluation Reserve	9	312.3
661.9	Capital Adjustment Account	9	715.6
(3.2)	Financial Instruments Adjustment Account	9	(11.3)
(28.0)	Pension Reserve	9	(27.4)
0.9	Collection Fund Adjustment Account	9	1.7
(5.8)	Accumulated Absences Adjustment Account	9	(6.8)
0.9	Pooled Investment Funds Adjustment Account	9	1.4
-	Deferred Capital Receipts Reserve	9	0.9
(48.3)	Dedicated Schools Grant Adjustment Account	9	(79.2)
881.9	**TOTAL UNUSABLE RESERVES**		**907.2**
1,224.9	**TOTAL RESERVES**		**1,258.0**

The draft accounts were issued on 30 June 2026.
Declan Keegan, Director of Corporate Resources.

Leicestershire County Council

Cash Flow Statement

2024/25 £m		Note	2025/26 £m
(49.7)	Net (surplus) or deficit on the provision of services	1	(42.2)
(45.5)	Adjustments to net (surplus) or deficit on the provision of services for non-cash movements	28	(56.8)
64.7	Adjustments for items included in the net (surplus) or deficit on the provision of services that are investing and financing activities	28	71.8
(30.5)	Net cash flows from Operating Activities		(27.2)
20.8	Net cash flows from Investing Activities	29	13.7
44.5	Net cash flows from Financing Activities	30	44.5
34.8	**Net (Increase)/Decrease in Cash and Cash Equivalents**		**31.1**
(85.8)	**Cash and Cash Equivalents at the Beginning of the Reporting Period**	24	**(51.0)**
(51.0)	**Cash and Cash Equivalents at the End of the Reporting Period**	24	**(19.9)**

The notes to the financial statements are detailed on pages 13 – 84.

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 2025/26

Service Segment	As Reported to the Cabinet May 2026	Adjustments to arrive at the net amount funded from General Fund[1]	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£m	£m	£m	£m	£m
Adults and Communities	248.7	(25.0)	223.7	(6.2)	217.5
Chief Executive's	16.9	0.5	17.4	(1.9)	15.5
Children and Family Services	148.0	0.7	148.7	27.4	176.0
Corporate Resources	40.5	5.1	45.6	6.1	51.7
Environment and Transport	117.4	(11.5)	105.9	16.1	122.0
Public Health	(2.7)	3.1	0.4	(1.1)	(0.6)
Central Items	46.3	(71.5)	(25.2)	(26.6)	(51.9)
Net Cost of Services	**615.0**	**(98.6)**	**516.5**	**13.7**	**530.3**
Other Income and Expenditure	(615.0)	85.8	(529.2)	(43.3)	(572.5)
(Surplus) or Deficit	**-**	**(12.8)**	**(12.7)**	**(29.5)**	**(42.2)**
Opening General Fund Balance					(332.4)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					(12.7)
Closing General Fund Balance					**(345.1)**

Expenditure and Funding Analysis Statement 2024/25

Service Segment	As Reported to the Cabinet June 2025	Adjustments to arrive at the net amount funded from General Fund[1]	Net Expenditure Chargeable to the General Fund	Adjustments between Funding and Accounting Basis	Net Expenditure in the CIES
	£m	£m	£m	£m	£m
Adults and Communities	223.7	(25.2)	198.5	(3.5)	194.9
Chief Executive's	16.0	(1.8)	14.2	(1.3)	12.9
Children and Family Services	132.9	4.2	137.1	30.0	167.1
Corporate Resources	40.0	(0.1)	39.9	5.6	45.4
Environment and Transport	111.1	2.0	113.1	18.2	131.3
Public Health	(2.6)	4.0	1.4	(0.8)	0.6
Central Items	49.2	(56.6)	(7.4)	(39.2)	(46.7)
Net Cost of Services	**570.2**	**(73.7)**	**496.6**	**9.0**	**505.6**
Other Income and Expenditure	(570.2)	61.5	(508.7)	(46.6)	(555.3)
(Surplus) or Deficit	**-**	**(12.1)**	**(12.0)**	**(37.6)**	**(49.7)**
Opening General Fund Balance					(320.4)
Less /Plus Surplus or (Deficit) on General Fund Balance in Year					(12.0)
Closing General Fund Balance					**(332.4)**

[1] 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. Movements to reserves made in the accounts after the Cabinet report (use of the surplus to earmarked reserves).

Note 2: Expenditure and Funding Analysis (a)

This note provides reconciliation for the main adjustments to Net Expenditure chargeable to the General Fund (GF) 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 2025/26

Adjustments from the General Fund to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
Service Segment				
Adults & Communities	1.3	(2.1)	-	(0.8)
Chief Executive's	-	(8.0)	0.5	(7.5)
Children and Family Services	10.9	(12.3)	31.0	29.6
Corporate Resource	12.1	(2.2)	0.1	10.0
Environment & Transport	21.8	(7.2)	0.2	14.8
Public Health	-	(6.0)	0.2	(5.8)
Central Items	(26.9)	0.3	-	(26.6)
Net Cost of Services	**19.2**	**(37.5)**	**32.0**	**13.7**
Other Income and Expenditure from the Expenditure and Funding Analysis	(42.8)	-	(0.5)	(43.3)
Difference between the General Fund surplus or deficit and the CIES surplus or deficit on provision of services	**(23.6)**	**(37.5)**	**31.5**	**(29.5)**

Adjustments Between Funding and Accounting Basis 2024/25

Adjustments from the General Fund to arrive at the CIES	Adjustments for Capital Purposes £m	Adjustments for Pensions Purposes £m	Other Adjustments £m	Total Adjustments £m
Service Segment				
Adults & Communities	1.8	(1.8)	-	0.1
Chief Executive's	-	(5.0)	1.1	(3.8)
Children and Family Services	22.8	(8.8)	16.4	30.4
Corporate Resource	9.9	(1.5)	-	8.4
Environment & Transport	22.1	(4.8)	-	17.4
Public Health	-	(4.1)	-	(4.1)
Central Items	(40.3)	1.1	-	(39.2)
Net Cost of Services	**16.3**	**(24.8)**	**17.5**	**9.0**
Other Income and Expenditure from the Expenditure and Funding Analysis	(45.8)	-	(0.8)	(46.6)
Difference between the General Fund surplus or deficit and the CIES surplus or deficit on provision of services	**(29.5)**	**(24.8)**	**16.7**	**(37.6)**

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 which 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.

Note 2: Expenditure and Funding Analysis (b)

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

2024/25 £m		2025/26 £m
	Expenditure	
368.0	Employee Benefits Expenses	384.4
63.9	IAS 19 and Other Pension Cost Adjustments	74.8
730.8	Other Service Expenses	814.1
41.5	Depreciation, amortisation, and impairment	47.2
20.1	Interest Payments	20.7
0.3	Precepts and Levies	0.3
8.8	Loss on Disposal of Non-Current Assets	21.3
1,233.3	**Total Expenditure**	**1,362.8**
	Income	
(165.8)	Fees, Charges and Other Income	(174.4)
(87.2)	IAS 19 Interest income	(110.9)
(29.8)	Interest and Investment Income	(21.9)
(500.6)	Council Tax and NNDR	(525.4)
(499.5)	Government Grants and Contributions	(572.4)
(1,283.0)	**Total Income**	**(1,405.0)**
(49.7)	**(Surplus) or Deficit on Provision of Services**	**(42.2)**

Revenue from contract with service recipients:

2024/25 £m		2025/26 £m
(104.1)	Revenue from contracts with service recipients	(108.7)
(41.2)	Receivables which are Included in debtors	(49.1)

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:

- FRS 102 (Amendments to Heritage Assets), issued in March 2024
- Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7) issued in May 2024
- Annual Improvements to IFRS Accounting Standards – Volume 11, issued in July 2024
  Contracts Referencing Nature-dependent Electricity (Amendments to IFRS 9 and IFRS 7), issued in December 2024

These changes are not expected to have a material impact on the Council’s statements of accounts as the amendments are mainly clarifications and are not expected to change current accounting treatment.

Note 4: Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in Note 48, 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 2026 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	The valuation of the Council's Property, Plant and Equipment (PPE) is a significant area of estimation uncertainty. The Council's valuer uses a combination of methodologies to value these assets, including Depreciated Replacement Cost and Existing Use Value and market/comparable methods. These methods can cause estimation uncertainty due to the indices and inputs that must be used to applying valuations. If the actual values differ from the assumptions used to value PPE, there is a risk of material adjustment to the carrying value of PPE. The Council's external valuers provided valuations as at 31 March 2026 for over 50% of its operational portfolio. The remaining balance of operational properties were also reviewed to ensure values reflect current values. The carrying value of Property, Plant and Equipment at 31 March 2026 is £1.2bn.	The net book value of non-current assets subject to potential revaluation is £493.1m. 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. As an example, 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 £49m.

Pensions Liability	The 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. The carrying value of the net Pension Liability at 31 March 2026 is £27m.	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 £23m. A one-year increase in member life expectancy compared with the assumption used would increase the liabilities by £62m. However, the assumptions interact in complex ways. During 2025/26, the Authority's Actuary advised that the net pension liability had increased by £65m as a result of estimates being corrected as a result of experience and decreased by £24m attributable to updating of the assumptions.

Note 6: Material Items of Income and Expense

There are no 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 30 June 2026. 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 2026, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Note 8: 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.

Adjustments between Accounting Basis and Funding Basis under Regulations	**Usable Reserves**			
2025/26	**General Fund Balance £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Movement in Usable Reserves £m**
Adjustments to the Revenue Resources				
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	(37.5)	-	-	(37.5)
Financial Instruments	8.0	-	-	8.0
Council Tax and NDR	(0.8)	-	-	(0.8)
Accumulated Absences	1.0	-	-	1.0
Pooled Investment Funds	(0.5)	-	-	(0.5)
Transferred to DSG Adjustment Account	30.9	-	-	30.9
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	75.5	-	(4.6)	70.9
Total Adjustments to Revenue Resources	**76.6**	**-**	**(4.6)**	**72.0**
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(6.9)	6.9	-	-
Statutory provision for the repayment of debt (MRP)	(5.8)	-	-	(5.8)
Principal repayments of transferred Debt	1.3	-	-	1.3
Capital expenditure financed from revenue balances	(32.0)	-	-	(32.0)
Total Adjustments between Revenue and Capital Resources	**(43.4)**	**6.9**	**-**	**(36.5)**
Use of the Capital Receipts Reserve to finance capital expenditure	-	(7.2)	-	(7.2)
Application of capital grants to finance capital expenditure	(62.8)	-	-	(62.8)
Total Adjustments to Capital Resources	**(62.8)**	**(7.2)**	**-**	**(70.0)**
Total Adjustments	**(29.6)**	**(0.3)**	**(4.6)**	**(34.5)**

Adjustments between Accounting Basis and Funding Basis under Regulations	Usable Reserves			
2024/25	**General Fund Balance £m**	**Capital Receipts Reserve £m**	**Capital Grants Unapplied £m**	**Movement in Usable Reserves £m**
Adjustments to the Revenue Resources				
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	(24.8)	-	-	(24.8)
Financial Instruments	(0.2)	-	-	(0.2)
Council Tax and NDR	(0.2)	-	-	(0.2)
Accumulated Absences	1.2	-	-	1.2
Pooled Investment Funds	(0.8)	-	-	(0.8)
Transferred to DSG Adjustment Account	16.3	-	-	16.3
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure	61.5	-	(14.3)	47.1
Total Adjustments to Revenue Resources	**52.9**	**-**	**(14.3)**	**38.5**
Transfer of Non-Current asset sale proceeds from revenue to the Capital Receipts Reserve	(0.7)	0.7	-	-
Statutory provision for the repayment of debt (MRP)	(7.3)	-	-	(7.3)
Principal repayments of transferred Debt	1.3	-	-	1.3
Capital expenditure financed from revenue balances	(34.6)	-	-	(34.6)
Total Adjustments between Revenue and Capital Resources	**(41.3)**	**0.7**	**-**	**(40.6)**
Use of the Capital Receipts Reserve to finance capital expenditure	-	(5.7)	-	(5.7)
Application of capital grants to finance capital expenditure	(49.2)	-	-	(49.2)
Total Adjustments to Capital Resources	**(49.2)**	**(5.7)**	**-**	**(54.8)**
Total Adjustments	**(37.6)**	**(5.0)**	**(14.3)**	**(56.9)**

Note 9: 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.

2024/25 £m		2025/26 £m
292.9	**Balance at 1 April**	**303.5**
44.8	Upward revaluation of assets	47.4
(22.9)	Downward revaluation of assets losses not charged to the Surplus or (Deficit) on the Provision of Services	(19.6)
(5.0)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(12.7)
(6.3)	Difference between fair value depreciation and historical cost depreciation	(6.2)
303.5	**Balance at 31 March**	**312.3**

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.

2024/25 £m		2025/26 £m
602.3	**Balance at 1 April**	**661.9**
	Reversal of items relating to capital expenditure debited or credited to Comprehensive Income and Expenditure:	
(32.5)	Charges for depreciation of non-current assets	(33.7)
(8.2)	Revaluation losses on Property, Plant and Equipment	(13.0)
(0.7)	Amortisation of intangible assets	(0.4)
(15.7)	Revenue expenditure funded from capital under statute	(0.6)
(7.8)	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the CIES	(28.5)
3.3	Leases – Gain on recognition of non-commercial leases	-
540.7		585.6
11.3	Adjusting amounts written out of the revaluation reserve	19.0
552.0	Net written out amount of the costs of non-current assets consumed in year	604.6
	Capital financing applied in year:	
5.7	Use of the Capital Receipts Reserve to finance new capital expenditure	7.2
49.2	Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	62.8
14.3	Application of grants to capital financing from Capital Grants Unapplied Account	4.6
7.3	Statutory provision for the financing of capital investment charged against the General Fund Balance	5.8
(1.3)	Principal Repayments of transferred Debt	(1.3)
34.6	Capital expenditure charged against the General Fund Balance	32.0
0.1	Movements in the Fair Value of Investment Properties	(0.1)
661.9	**Balance at 31 March**	**715.6**

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 external debt 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.

2024/25 £m		2025/26 £m
(3.4)	**Balance at 1 April**	**(3.2)**
	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:	
(8.4)	Transfers in – rescheduled debt premiums paid in year	(12.0)
1.1	Transfers out – rescheduled debt discounts received in year	-
8.0	Annual write down of premiums paid on rescheduled debt	4.5
(0.6)	Annual write down of discounts received on rescheduled debt	(0.6)
(3.2)	**Balance at 31 March**	**(11.3)**

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 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.

2024/25 £m		2025/26 £m
(33.3)	**Balance at 1 April**	**(28.0)**
(19.5)	Remeasurements of the net defined benefit liability	(36.9)
(37.1)	Reversal of items relating to retirement benefits debited or credited to the Surplus or (Deficit) on the Provision of Services in the CIES	(27.1)
61.9	Employer's pensions contributions and direct payments to pensioners payable in the year	64.6
(28.0)	**Balance at 31 March**	**(27.4)**

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).

2024/25 £m		2025/26 £m
0.7	**Balance at 1 April**	**0.9**
0.2	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.	0.8
0.9	**Balance at 31 March**	**1.7**

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.

2024/25 £m		2025/26 £m
(4.6)	**Balance at 1 April**	**(5.8)**
4.6	Settlement or cancellation of accrual made at the end of the preceding year	5.8
(5.8)	Amounts accrued at the end of the current year	(6.8)
(1.2)	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	(1.0)
(5.8)	**Balance at 31 March**	**(6.8)**

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.

2024/25 £m		2025/26 £m
0.1	**Balance at 1 April**	**0.9**
0.8	Fair value movements transferred to/from the General Fund in accordance with the statutory regulations	0.5
0.9	**Balance at 31 March**	**1.4**

Deferred Capital Receipts Reserve

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.

2024/25 £m		2025/26 £m
-	**Balance at 1 April**	**-**
-	Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(0.9)
-	Transfer to the capital receipts reserve upon receipt of cash	-
-	**Balance at 31 March**	**(0.9)**

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 2028, 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.

2024/25 £m		2025/26 £m
(32.0)	**Balance at 1 April**	**(48.3)**
(16.3)	School budget deficit transferred from General Fund in accordance with statutory requirements	(30.9)
(48.3)	**Balance at 31 March**	**(79.2)**

Note 10: General Fund Balance

The balance of the fund includes the following sums:

2024/25 £m		2025/26 £m
25.0	Uncommitted balance	26.0
0.7	Delegated Funding for Schools	(3.6)
25.7	**Balance at 31 March**	**22.4**

Schools are continuing to experience financial challenges. Delegated school balances at the end of 2025/26 reported a net deficit of £3.6m, a reduction from a net surplus of £0.7m at the end of the previous year. Final school budget plans for 2026/27 are submitted during the summer term 2026 and these will incorporate final balances from 2025/26. Due to the financial challenges in schools it is very likely that a number of licensed deficits will be required for 2026/27. The Council is working very closely with schools to ensure appropriate measures and steps are being implemented to bring school budgets back to a balanced position in future years. Although the schools net deficit is shown against the General Fund balance if this was to crystallise it would be charged to earmarked reserves and require a restructuring of earmarked reserves.

	31 March 2025	31 March 2026		31 March 2026
		Schools with Surpluses	School with Deficits	
	£m	£m	£m	£m
Delegated funding for schools	**0.7**	**6.5**	**(10.1)**	**(3.6)**

Note 11: Movements in Earmarked Revenue Reserves

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

	Balance at 31 March 2024 £m	Transfers From Revenue £m	Transfers To Revenue £m	Balance at 31 March 2025 £m	**Transfers From Revenue £m**	**Transfers To Revenue £m**	**Balance at 31 March 2026 £m**
Insurance	15.4	1.6	(0.3)	16.7	0.8	(0.6)	16.9
Renewals	1.4	1.1	(0.3)	2.2	0.7	(0.8)	2.1
Children & Families:							
-CFS Developments	2.1	2.2	(2.0)	2.3	1.0	(1.6)	1.8
-YOS Pooled Budget	0.9	0.0	(0.0)	0.9	0.1	-	1.0
Adults & Communities:							
- A&C Developments	1.4	0.0	(0.1)	1.4	-	(0.1)	1.2
- Health & Social Care	10.0	1.3	(1.1)	10.2	0.9	(0.9)	10.2
Public Health:							
- General	9.0	0.0	(3.3)	5.8	-	(0.5)	5.4
- Active Together	1.2	0.0	(0.2)	1.1	-	-	1.1
Environment & Transport:							
-Commuted Sums	2.4	0.1	(0.7)	1.9	0.6	(0.1)	2.3
-Transport Model	0.5	1.0	(0.4)	1.1	1.7	(0.5)	2.3
-E&T Developments	-	-	-	-	1.0	-	1.1
Corporate:							
- Capital Financing	148.8	30.3	(41.2)	137.9	24.5	(32.5)	129.9
- Budget Equalisation	66.8	25.3	-	92.1	28.2	(30.0)	90.3
- Change & Improvement	8.9	5.8	(2.7)	12.0	32.1	(4.7)	39.4
- IiLP Sinking Fund	2.6	4.8	(1.7)	5.8	1.0	(1.0)	5.8
- Broadband	3.9	0.5	(1.6)	2.7	-	(0.1)	2.7
- Flooding Restoration	1.0	-	-	1.0	2.5	(0.5)	3.0
Other (reserves below £1m at 31 March 2026)	18.0	4.5	(10.7)	11.8	3.0	(8.4)	6.3
TOTAL	294.4	78.6	(66.3)	306.7	**98.2**	**(82.3)**	**322.7**

Note - the table above showing earmarked revenue reserves excludes the Dedicated Schools Grant reserve which had a deficit of £79.2m as at 31 March 2026 (£48.3m deficit 31 March 2025) which is shown separately on the balance sheet per statutory requirements.

The following are the main earmarked reserves held by the Authority, as at 31st March 2026:

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 2026, 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 to be implemented over the forthcoming years.
Capital Financing - revenue contributions to fund capital expenditure in future years.
Budget Equalisation - funding set aside to manage variations in funding across financial years.
Change & Improvement - a programme of transformation projects to deliver efficiency savings and service improvements across the Authority and to fund potential restructuring costs of reconfiguring those services, and provision for the Efficiency Review and Local Government Reorganisation.
IiLP Sinking Fund - Used to fund repairs and maintenance of the Investing in Leicestershire Programme (IiLP).

Note 12: Other Operating Expenditure

2024/25 £m		2025/26 £m
0.3	Flood Defence Levies	0.3
(0.1)	(Gains)/losses on the disposal of non-current assets (Excluding Academies)	(1.2)
7.2	(Gains)/losses on the disposal of Academies	22.0
7.4	**Total**	**21.1**

Note 13: Financing and Investment Income and Expenditure

2024/25 £m		2025/26 £m
20.1	Interest payable and similar charges	20.6
1.0	Net Pensions interest cost and expected return on pensions assets	0.5
(29.8)	Interest receivable and similar income	(21.9)
(0.1)	Income & Expenditure in relation to investment properties and changes in their fair value	0.1
0.7	Gains/losses on financial instruments classified as fair value through profit or loss	-
-	Other investment income & Expenditure	-
(8.1)	**Total**	**(0.6)**

Note 14: Taxation and Non-Specific Grant Incomes

2024/25 £m		2025/26 £m
(401.2)	Council tax income	(424.7)
(99.4)	Non-domestic rates	(99.4)
(1.5)	Non ring-fenced government grants	(5.9)
(52.5)	Capital grants and contributions	(62.9)
(554.6)	**Total**	**(592.9)**

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 48.

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 31st March 2026 has decreased since the previous year. The discount rate used in the valuation has increased (in line with AA rated corporate bond yields) from 5.8% to 6.2%, which had the impact of decreasing the present value of future liabilities. Overall the net pension liability decreased to £27m (31 March 2025, £28m).

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

2024/25 £m		2025/26 £m
	Comprehensive Income and Expenditure Statement	
	Cost of Services	
	Service cost comprising:	
36.8	Current service cost	27.6
0.2	Past service costs	0.4
(0.9)	Settlements and Curtailments	(1.4)
-	Effects of business combinations and disposals	-
	Financing and Investment Income and Expenditure:	
1.0	Net Interest expense	0.5
37.1	Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**27.1**

	Other Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	
	Remeasurement of the net defined benefit liability comprising:	
(21.3)	Return on planned assets (excluding the amount included in the net interest expense)	(117.7)
(2.9)	Actuarial gains/losses arising from changes in demographic assumptions	(24.5)
(249.4)	Actuarial gains/losses arising from changes in financial assumptions	(33.7)
293.1	Other	212.8
56.6	Total Post Employment Benefit Charged to the Comprehensive Income and Expenditure Statement	**64.0**
	Movements in Reserves Statement	
37.1	Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post-employment benefits in accordance with the code	**27.1**
	Actual amount charged against the General Fund Balance for Pensions in the year	
(59.0)	Employers contributions payable to scheme	(61.8)
(2.9)	Unfunded benefits	(2.8)
(24.8)	Total amount charged against the General Fund Balance for Pensions in the year	**(37.5)**

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:

2024/25 £m		2025/26 £m
1,799.0	**As at 1 April**	**1,910.5**
87.2	Interest Income	110.9
	Remeasurement gain/(loss):	
21.3	Return on plan assets	117.7
59.0	Employer contributions	61.8
12.7	Contributions by scheme participants	13.4
(69.5)	Benefits paid	(69.8)
-	Effects of business combinations and disposals	(90.4)
2.9	Contributions in respect of unfunded benefits	2.8
(2.1)	(Losses) / Gains on settlements	(4.3)
-	Other movements	0.4
1,910.5	**As at 31 March**	**2,053.1**

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

2024/25 £m		2025/26 £m
(1,636.6)	Present value of funded obligations	(1429.2)
	Present value of unfunded obligations:	
(7.5)	a. Local government pension scheme	(6.6)
(25.9)	b. Teacher's scheme	(21.4)
(1,670.0)	**As at 1 April**	**(1,457.2)**
(36.8)	Current service cost	(27.6)
(80.4)	Interest Cost	(83.6)
(12.7)	Contributions by scheme participants	(13.4)
	Remeasurement (gains) and losses:	
2.9	Changes in demographic assumptions	24.5
249.4	Changes in financial assumptions	33.7
18.0	Other experience	(92.7)
	Past service costs:	
-	(Losses) / Gains on curtailments	-
-	Effects of business combinations and disposals	-
69.5	Benefits paid	69.8
2.9	Liabilities extinguished on settlements	5.3
(1,457.2)	**As at 31 March**	**(1,541.2)**
(1429.2)	Present value of funded obligations	(1,513.8)
	Present value of unfunded obligations:	
(6.6)	Local government pension scheme	(6.0)
(21.4)	Teacher's scheme	(21.3)

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.

c) Asset Ceiling

In 2025/26, the local government pension scheme (LGPS) has net assets of £539.3m (31 March 2025, £481.3m) due to an improvement in the return on Investment assets and changes in the financial assumptions. 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 £539.3m (31 March 2025, £481.3m).

2024/25 £m		2025/26 £m
(162.4)	**Asset Ceiling Balance at 1 April**	**(481.3)**
(7.9)	Interest on the effect of the Asset Ceiling	(27.9)
(311.0)	Changes in the effect of the Asset Ceiling	(30.1)
(481.3)	**Asset Ceiling Balance as at 31 March**	**(539.3)**

Local Government Pension Scheme assets comprised:

2024/25 £m	2024/25 % of total assets		2025/26 £m	2025/26 % of total assets
12.4	1%	Equity Securities	14.7	1%
70.1	4%	Debt Securities: UK Government	78.2	4%
9.8	1%	Debt Securities: Other	9.6	1%
110.8	6%	Private Equity	111.1	5%
130.8	7%	Real Estate: UK Property	124.8	6%
		Investment Funds and Unit Trusts:		
812.8	43%	Equities	883.0	43%
38.4	2%	Commodities	43.0	2%
176.3	9%	Infrastructure	202.7	10%
371.2	19%	Other	405.2	20%
(9.5)	0%	Derivatives - Foreign Exchange	(2.8)	0%
187.4	10%	Cash and Cash Equivalents	173.6	8%
1,910.5	**100%**	**As at 31 March**	**2,053.1**	**100%**

The scheme history of the pension fund is as follows:

	2021/22 £m	2022/23 £m	2023/24 £m	2024/25 £m	2025/26 £m
Present value of liabilities:	(2,257.2)	(1,653.8)	(1,670.0)	(1,457.2)	(1,541.2)
Fair value of assets:	1,680.8	1,633.5	1,799.0	1,910.5	2,053.1
Asset Ceiling Adjustment	-	(14.2)	(162.4)	(481.3)	(539.3)
Surplus / (Deficit)	**(576.4)**	**(34.6)**	**(33.3)**	**(28.0)**	**(27.4)**

The liability shows the underlying commitment that the Authority has in the long run to pay post-employment (retirement) benefits. This total liability of £27m 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 31st March 2025.

The principal assumptions used by the actuary have been:

31 March 2025		31 March 2026
	Mortality assumptions (in years):	
	Longevity at 65 for current pensioners:	
21.3	▪ Men	22.1
24.0	▪ Women	24.7
	Longevity at 65 for future pensioners:	
22.0	▪ Men	22.7
25.4	▪ Women	25.9

3.3%	Rate of inflation	3.5%
3.3%	Rate of increases in salaries	3.5%
2.8%	Rate of increase in pensions	3.0%
5.8%	Rate for discounting scheme liabilities	6.2%
	Proportion of employees opting to commute part of their annual pension to a retirement lump sum:	
55.0%	Pre April 2008 Service	70.0%
55.0%	Post April 2008 Service	70.0%

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 2026:

	Approximate % Increase in Employer Liability	Approximate monetary amount (£m)
0.1% decrease in Real Discount Rate	1%	22.6
1 year increase in member life expectancy	4%	61.6
0.1% increase in the Salary Increase Rate	0%	0.1
0.1% increase in the Pension Increase Rate	1%	21.7

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 15 years. The last triennial valuation was completed on 31 March 2025.

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 £48.2m expected contributions to the scheme in 2026/27. The weighted average duration of the defined benefit obligation for scheme members is 15 years (2024/25 17 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 2025/26 the Authority paid £12.4m (2024/25 £12.1m) to the Teachers' Pension Scheme in respect of teachers' retirement benefits, representing 28.7% (2024/25 28.7%) 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 2025/26 these amounted to £2.0m (2024/25 £2.0m), representing 4.90% (2024/25 5.0%) 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 2025/26 the Authority paid £0.1m to the NHS pension scheme (£0.1m in 2024/25) 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* £m	Vehicles Plant and Equipment £m	Community Assets £m	Assets Under Construction** £m	Surplus Assets £m	Total £m	Intangible Assets £m	Assets Held for Sale £m
Gross Carrying Amount as at 31 March 2025	**496.7**	**30.4**	**11.3**	**131.3**	**1.0**	**670.7**	**2.1**	**18.5**
Additions	6.5	4.7	-	53.1	-	**64.3**	-	-
Impairment	(4.0)	(0.6)	-	-	-	**(4.6)**	-	-
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	19.0	-	-	-	-	**19.0**	-	-
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(13.5)	-	-	-	-	**(13.5)**	-	(2.5)
Derecognition - Disposals	(26.1)	-	-	-	-	**(26.1)**	-	(3.2)
Derecognition - Other	(0.1)	(3.4)	-	-	-	**(3.5)**	-	-
Asset Reclassifications	15.8	-	0.0	(38.3)	0.8	**(21.7)**	-	(0.2)
Gross Carrying Amount as at 31 March 2026	**494.3**	**31.1**	**11.3**	**146.1**	**1.8**	**684.6**	**2.1**	**12.6**
Accumulated Depreciation as at 1 April 2025	**(11.1)**	**(16.6)**	**-**	**-**	**-**	**(27.7)**	**(1.7)**	**(0.1)**
Depreciation	(11.6)	(5.5)	-	-	-	**(17.1)**	(0.4)	-
Depreciation written out to the Revaluation Reserve	8.8	-	-	-	-	**8.8**	-	-
Depreciation written out to the Surplus/ Deficit	0.4	-	-	-	-	**0.4**	-	-
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	10.8	-	-	-	-	**10.8**	-	-
Derecognition – Disposals	1.4	-	-	-	-	**1.4**	-	-
Derecognition - Other	0.1	3.4	-	-	-	**3.5**	-	-
Accumulated Depreciation as at 31 March 2026	**(1.2)**	**(18.7)**	**-**	**-**	**-**	**(19.9)**	**(2.1)**	**(0.1)**
Net Book Value as at 31 March 2026	**493.1**	**12.4**	**11.3**	**146.1**	**1.8**	**664.7**	**0.0**	**12.5**

*Includes Travellers' Sites valuation of £3.2m not shown under Council Dwellings due to materiality.
** Includes Infrastructure Assets AUC of £137m as at 31.3.26 (£125m as at 31.3.25), which will transfer to Infrastructure Assets category on completion of the respective capital projects.

	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
Gross Carrying Amount as at 31 March 2024	**491.3**	**34.8**	**11.3**	**84.0**	**1.4**	**622.8**	**7.4**	**10.0**
Lease Recognition – at 1.4.24	4.3	1.1	-	-	-	**5.4**	-	-
Additions	6.3	5.5	-	51.5	-	**63.4**	-	-
Impairment	(4.0)	(0.3)	-	-	-	**(4.3)**	-	-
Revaluation Increases/ (Decreases) recognised in the Revaluation Reserve	13.4	-	-	-	2.1	**15.5**	-	-
Revaluation Increases/ (Decreases) recognised in the Surplus/ Deficit	(4.0)	-	-	-	-	**(4.0)**	-	-
Derecognition - Disposals	(7.6)	-	-	-	(0.2)	**(7.9)**	-	(0.2)
Derecognition - Other	(0.7)	(10.7)	-	-	-	**(11.4)**	(5.3)	-
Asset Reclassifications	(2.2)	-	-	(4.2)	(2.3)	**(8.7)**	-	8.7
Gross Carrying Amount as at 31 March 2025	**496.7**	**30.4**	**11.3**	**131.3**	**1.0**	**670.8**	**2.1**	**18.5**
Accumulated Depreciation as at 1 April 2024	**(9.9)**	**(22.8)**	**-**	**-**	**-**	**(32.7)**	**(6.3)**	**(0.1)**
Depreciation	(11.5)	(4.5)	-	-	-	**(16.0)**	(0.7)	-
Depreciation written out to the Revaluation Reserve	6.4	-	-	-	-	**6.4**	-	-
Depreciation written out to the Surplus/ Deficit	0.1	-	-	-	-	**0.1**	-	-
Impairment Losses/(reversals) recognised in the Surplus/Deficit on the provision of services	2.8	-	-	-	-	**2.8**	-	-
Derecognition – Disposals	0.3	-	-	-	-	**0.3**	-	-
Derecognition - Other	0.7	10.7	-	-	-	**11.4**	5.3	-
Accumulated Depreciation as at 31 March 2025	**(11.1)**	**(16.6)**	**-**	**-**	**-**	**(27.7)**	**(1.7)**	**(0.1)**
Net Book Value as at 31 March 2025	**485.7**	**13.8**	**11.3**	**131.3**	**1.0**	**643.1**	**0.4**	**18.5**

*Includes Travellers' Sites valuation of £2.5m not shown under Council Dwellings due to materiality.

** Includes Infrastructure Assets AUC of £125m as at 31.3.25 (£80m as at 31.3.24), which will transfer to Infrastructure Assets category on completion of the respective capital projects.

Capital Commitments

As of 31 March 2026, the Authority has entered into a number of contracts for the acquisition, construction or enhancement of Property, Plant and Equipment in 2025/26 and future years budgeted to cost £38m. Similar commitments at 31 March 2025 were £65m. The following table outlines the major contracts:

Major Contracts	As at 31 March 2026 £m
Melton Mowbray Distributor Road – North East	13.4
Airfield Business Park	3.9
Zouch Bridge	6.5
Hallam Fields Primary	3.1
Long Field Primary	10.3
Lutterworth Leaders Farm - Drive Thru Restaurants	1.0

Revaluations

The Authority operates a rolling programme to ensure that all Property, Plant and Equipment required to be measured at fair value is revalued at least once every five years. Valuations are undertaken by an external firm of valuers, Align Property Partners Ltd, whose staff are Royal Institution of Chartered Surveyors (RICS) qualified valuers. Valuations of land and buildings have been carried out in accordance with the methodologies and bases for estimation set out in the RICS professional standards.

In addition, property assets not subject to full revaluation in the current year have been updated using appropriate indexation rates. This approach is in accordance with the CIPFA Code of Practice and ensures that the carrying amounts of all Land, Buildings and Surplus Assets not held at historical cost reflect fair value as at 31 March 2026.

	Land and Buildings £m	Surplus Assets £m	Total £m
Carried at Historical Cost:	5.0	-	5.0
Valued at Fair Value as at:			
31 March 2026	389.0	1.3	390.3
31 March 2025	29.2	0.4	29.6
31 March 2024	38.7	-	38.7
31 March 2023	22.1	-	22.1
31 March 2022	9.3	-	9.3
Indexation applied to valuations above	(0.1)	-	(0.1)
Total Cost or Valuation	**493.2**	**1.7**	**494.9**

Non-Current Intangible Assets

The Authority has non-current intangible assets of £0.0m (£0.4m 2024/25). 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 48 for further details concerning fair value and the input hierarchy.

	Level 1 *Quoted Prices in Active Markets for Identical Assets* **£m**	**Level 2** *Other Significant Observable Inputs* **£m**	**Level 3** *Significant Unobservable Inputs* **£m**
Total - Surplus Assets 2024/25	-	1.0	-
Total - Surplus Assets 2025/26	-	1.7	-

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.

	2024/25 £m	**2025/26 £m**
Net Book Value (modified historical cost) at 1 April	**463.6**	**470.2**
Additions	26.0	43.2
Depreciation	(19.3)	(20.4)
Asset Reclassifications*	-	22.1
Net book Value at 31 March	**470.2**	**515.2**

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.
*Excludes Infrastructure Assets held as Assets Under Construction, see Note 16.

Note 18: Heritage Assets

Net Book Value	**Historic Buildings** £m	**Museum Art Collection** £m	**Art Works Collection** £m	**Archaeo-logical Collection** £m	**Fashion Collection** £m	**Working Life Collection** £m	**Civic Collection** £m	**Total** **£m**
31 March 2025	0.4	0.7	4.0	0.4	0.1	0.4	0.4	**6.4**
31 March 2026	0.4	0.7	4.0	0.4	0.1	0.4	0.4	**6.4**

As per the accounting policy for Heritage Assets within note 48, 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.

There have been no additions, disposals or valuation changes for 2025/2026 (2024/25 none).

Heritage Asset Collections:

Historic Buildings

This category includes a number of Scheduled and Listed buildings at Snibston Colliery Park that were part of the former colliery workings. 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 C20th and recent 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 item’s 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 Beaumanor Coach; 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.

Rental income of less than £0.1m was received 2025/26 (£0.1m 2024/25) and is accounted in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

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:

2024/25 £m		2025/26 £m
2.4	**Opening Balance as at 1st April**	**2.5**
-	Additions	-
-	Disposals	(0.6)
0.1	Gain/Loss from Fair Value Adjustments	(0.1)
	Transfers:	
-	(To)/From Property, Plant & Equipment	(0.1)
2.5	**Closing Balance as at 31st March**	**1.7**

As of 31 March 2026, 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 48 provides details of fair value and the input level hierarchy as specified by IFRS 13.

	2025/26		
	£m	£m	£m
Investment Properties	**Level 1** *Quoted Prices in Active Markets for Identical Assets*	**Level 2** *Other Significant Observable Inputs*	**Level 3** *Significant Unobservable Inputs*
Commercial	-	1.4	-
Community	-	0.1	-
Residential	-	0.2	-
Total	**-**	**1.7**	**-**

Investment Properties	2024/25 £m **Level 1** *Quoted Prices in Active Markets for Identical Assets*	£m **Level 2** *Other Significant Observable Inputs*	£m **Level 3** *Significant Unobservable Inputs*
Commercial	-	1.4	-
Community	-	0.9	-
Residential	-	0.2	-
Total	**-**	**2.5**	**-**

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, Align Properties Ltd 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:

31 March 2025 Long Term £m	31 March 2025 Current £m		31 March 2026 Long Term £m	31 March 2026 Current £m
		Financial Assets at Amortised Cost:		
10.0	339.4	Investments	10.0	323.5
24.9	78.8	Debtors	22.7	89.7
-	51.0	Cash and Cash Equivalents	-	19.9
		Financial Assets at Fair Value through Profit and Loss:		
44.8	15.7	Investments	40.2	13.2
79.7	**484.9**	**Total Financial Assets**	**72.9**	**446.4**
		Financial Liabilities at Amortised Cost:		
177.1	3.0	Borrowing	132.5	2.2
-	160.8	Creditors	-	157.8
1.8	1.2	Lease Liabilities	2.0	0.7
178.9	**165.0**	**Total Financial Liabilities**	**134.5**	**160.8**

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:

2024/25 £m		2025/26 £m
	Net Gains/(Losses) on:	
0.7	Financial Assets measured at Fair Value through Profit and Loss	(0.6)
0.7	**Total Net Gains/ (Losses)**	**(0.6)**
(31.2)	**Total Interest Income**	**(21.9)**
12.3	**Total Interest Expense**	**7.5**

Fair Value of Financial Instruments 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.

The fair values of financial assets calculated are as follows:

31 March 2025 Carrying Amount £m	31 March 2025 At Fair Value £m		Input Level in Fair Value Hierarchy	31 March 2026 Carrying Amount £m	31 March 2026 At Fair Value £m
339.4	338.9	Short Term Investments	Level 2	323.5	313.7
10.0	9.0	Long Term Investments	Level 2	10.0	19.6
78.8	78.8	Short Term Debtors	Level 2	89.7	89.7
24.9	24.9	Long Term Debtors	Level 2	22.7	22.7
51.0	51.0	Cash and Cash Equivalents	Level 2	19.9	19.9
504.1	**502.6**	**Financial Assets**		**465.8**	**455.6**

The total fair value of the assets is lower than the carrying amount because the Council’s portfolio of investments includes several investments where the interest rate payable is lower than the prevailing rates at the balance sheet date.
It must be noted that the rates entered into for investments were at the prevailing market rates available to the Council at that time.

The fair values of financial liabilities calculated are as follows:

31 March 2025 Carrying Amount £m	31 March 2025 At Fair Value £m		Input Level in Fair Value Hierarchy	31 March 2026 Carrying Amount £m	31 March 2026 At Fair Value £m
3.0	3.0	Short Term Borrowing	Level 2	2.2	2.2
177.1	173.5	Long Term Borrowing	Level 2	132.5	115.4
160.8	160.8	Short Term Creditors	Level 2	157.8	157.8
3.1	3.1	Lease Liabilities	Level 2	2.8	2.8
343.9	**340.3**	**Financial Liabilities**		**295.3**	**278.2**

The total fair value of the liabilities is lower than the carrying amount because the Council’s portfolio of loans includes several fixed rate loans where the interest rate payable is lower than the prevailing rates at the balance sheet date.
It must be noted that the rates entered into for loans were at the prevailing market rates available to the Council at that time.

Assets Held at Fair Value

The below 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.

As at 31 March 2025 £m			As at 31 March 2026 £m
23.0	Private Debt Funds	Level 3	18.7
12.7	Bank Risk Share Funds	Level 3	17.7
16.1	Pooled Property Funds	Level 3	7.8
8.7	Pooled Infrastructure Funds	Level 3	9.1
60.5	**Financial Assets at Fair Value through Profit and Loss**		**53.4**

Description of Asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable inputs	Key sensitivities affecting valuations provided
Private Debt & Bank Risk Share Funds	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 Authority's own reporting date, and by changes to expected cash flows.
Pooled investment vehicles (including pooled property and infrastructure 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 Authority's own reporting date and by changes to expected cash flows.

Sensitivity of assets valued at Level 3

Following analysis of historic data and expected investment return movement during the financial year, in consultation with the Council's investment advisors, the Council has determined that the following movements in market prices risk are reasonably possible for the 2025/26 reporting period:

Asset Type	Value at 31 March 2026 £m	Percentage change %	Value on increase £m	Value on decrease £m
Private Debt & Bank Risk Share Funds	36.4	9	39.7	33.1
Pooled Property Funds	7.8	23	9.6	6.0
Pooled Infrastructure Fund	9.2	15	10.6	7.8
Total	**53.4**		**59.9**	**47.0**

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
Private Debt & Bank Risk Share Funds	35.7	11	39.6	31.8
Pooled Property Funds	16.1	21	19.5	12.7
Pooled Infrastructure Fund	8.7	14	9.9	7.5
Total	**60.5**		**69.0**	**52.0**

Reconciliation of assets held at level 3

	Value at 1 April 2025 £m	Purchases £m	Sales £m	Realised gains / (losses) £m	Unrealised gains or (losses) £m	Value at 31 March 2026 £m
Private Debt & Bank Risk Share Funds	**35.7**	12.6	(11.3)	0.1	(0.5)	**36.4**
Pooled Property Funds	**16.1**	-	(8.3)	(0.6)	0.5	**7.8**
Pooled Infrastructure Funds	**8.7**	-	-	-	0.4	**9.2**
Total	**60.5**	**12.6**	**(19.6)**	**(0.5)**	**0.4**	**53.4**

Reconciliation of assets held at level 3

	Value at 1 April 2024 £m	Purchases £m	Sales £m	Realised gains / (losses) £m	Unrealised gains or (losses) £m	Value at 31 March 2025 £m
Private Debt & Bank Risk Share Funds	**46.8**	**1.2**	**(11.0)**	**-**	**(1.3)**	**35.7**
Pooled Property Funds	**20.7**	**-**	**(5.1)**	**(1.6)**	**2.1**	**16.1**
Pooled Infrastructure Funds	**8.7**	**-**	**-**	**-**	**-**	**8.7**
Total	**76.2**	**1.2**	**(16.1)**	**(1.6)**	**0.8**	**60.5**

Note 21: Inventories

	Leicestershire Highways (stores) £m	Leicestershire Highways (fuel) £m	School Food (consumable) £m	Other £m	Total £m
Opening Balance 31 March 2025	**1.0**	**0.1**	**0.2**	**0.4**	**1.8**
Purchases	2.1	0.6	2.2	2.1	**7.0**
Recognised as an expense during the year	(1.9)	(0.6)	(2.3)	(2.1)	(7.0)
Closing Balance 31 March 2026	**1.1**	**0.2**	**0.1**	**0.4**	**1.8**

Note 22: Long Term Debtors

31 March 2025 £m		31 March 2026 £m
	Long Term Debtors (amounts falling due after one year)	
20.6	Outstanding debt relating to transferred services (Leicester City Council and ESPO)	19.3
4.0	Residential Care Charges (secured against properties)	2.9
0.4	Other Long-Term Debtors	0.4
25.0	**Total Long-Term Debtors**	**22.6**

Note 23: Short Term Debtors

31 March 2025 £m		31 March 2026 £m
13.4	Central Government	13.4
51.1	Other Local Authorities and Public Bodies	55.8
10.4	NHS Bodies	12.8
36.7	Other Entities and Individuals	39.1
25.9	Payments in Advance	11.5
137.5	**Total Short-Term Debtors**	**132.7**

Debtors are shown net of a credit loss allowance of £21.0m as at 31 March 2026 (£17.6m 31 March 2025), reported in Note 45 to the accounts.

Note 24: Cash & Cash Equivalents

31 March 2025 £m		31 March 2026 £m
	Net Cash Balance at Year End:	
1.8	School & Imprest Accounts	1.7
0.8	Main Bank Accounts	0.6
2.6	**Subtotal Cash In Hand / (Overdrawn)**	**2.3**
6.2	Service User Funds Bank Account*	6.7
42.2	Short-Term Deposits with Banks and Building Societies	11.0
51.0	**Total Cash and Cash Equivalents**	**19.9**

* 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 2025 £m		31 March 2026 £m
	Amounts Received in Advance: (more than one year)	
8.0	Section 106 Housing Developer Revenue Contributions	9.7
8.0	**Total Long-Term Creditors**	**9.7**

Note 26: Short Term Creditors

31 March 2025 £m		31 March 2026 £m
6.0	Central Government	14.7
62.2	Other Local Authorities and Public Bodies	66.9
1.9	NHS Bodies	1.0
121.9	Other Entities and Individuals	110.1
29.3	Receipts in Advance	22.3
221.3	**Total Short-Term Creditors**	**215.0**

Note 27: Provisions

	31 March 2025 £m	Additional Provisions £m	Provisions Used £m	31 March 2026 £m
Short Term				
Non-Domestic Rates	2.5	-	(0.5)	2.0
Insurance	1.0	0.4	(0.2)	1.2
Other	1.3	-	(0.0)	1.3
Total Short-Term Provisions	**4.7**	**0.4**	**(0.7)**	**4.5**
Long Term				
Insurance	1.1	0.3	(0.4)	1.0
Total Long-Term Provisions	**1.1**	**0.3**	**(0.4)**	**1.0**
Total Provisions	**5.8**	**0.7**	**(1.1)**	**5.5**

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 2026 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.

Note 28: Cash Flow Statement – Operating Activities

2024/25 £m		2025/26 £m
	The cash flows for operating activities include the following items:	
(30.4)	Interest Received	**(24.6)**
22.0	Interest Paid	**23.8**
	The surplus or deficit on the provision of services has been adjusted for the following non-cash movements:	
(36.1)	Depreciation	**(37.9)**
(5.4)	Impairment and Downward Revaluations	**(9.3)**
(21.3)	(Increase) / decrease in Creditors	**(12.6)**
8.5	Increase / (decrease) in Debtors	**(7.3)**
-	Increase / (decrease) in Inventories	**-**
24.8	Movement in Pension Liability	**37.5**
(12.9)	Carrying amount of Non-Current Assets Sold or De-recognised	**(28.5)**
5.2	Other non-cash items charged to the net surplus or deficit on the provision of services	**2.0**
(45.5)	**Total adjustments to the net surplus or deficit on the provision of services for non-cash movements**	**(56.8)**

	The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:	
0.7	Proceeds from the sale of property, plant and equipment investment property and intangible assets	7.8
5.1	Proceeds from the sale of other investment assets	-
9.7	Servicing of Finance	1.2
49.2	Capital Grants and Contributions	62.8
64.7	**Total adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities**	**71.8**

Note 29: Cash Flow Statement - Investing Activities

2024/25 £m		**2025/26 £m**
82.1	Purchase of property, plant and equipment, investment property	106.9
(6.3)	Purchase of short-term and long-term investments	(22.5)
(0.7)	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	(7.8)
(49.2)	Capital Grants and Contributions	(62.8)
(5.1)	Other receipts from investing activities	-
20.8	**Net Cash Flows from Investing Activities**	**13.7**

Note 30: Cash Flow Statement - Financing Activities

2024/25 £m		**2025/26 £m**
44.5	Repayments of short-term and long-term borrowing	44.5
44.5	**Net Cash Flows from Financing Activities**	**44.5**

Note 31: Pooled Budgets

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

a) The Better Care Fund

The Better Care Fund (BCF) is a Government initiative designed to support the integration of health and social care at a local level. Under this arrangement, Leicester City Council and the NHS Leicester, Leicestershire and Rutland Integrated Care Board (ICB) work collaboratively to deliver the objectives set out in the Section 75 agreement, ensuring a more coordinated and robust service across health and social care.

The grant is used to commission services from Leicestershire County Council or other ICB members, based on client needs. Key priorities include reducing pressure on the NHS by facilitating timely hospital discharges and supporting the local social care provider market. In accordance with BCF requirements, the ICB and the County Council have established a pooled budget for this purpose. The County Council contributed £27.7m to the pooled fund in 2025/26 (£27.3m in 2024/25). This expenditure is reflected in the relevant lines of the Comprehensive Income and Expenditure Statement, and the County Council maintains the memorandum pooled budget account.

2024/25				2025/26		
Amounts Included in LCC CIES £m	ICB £m	Total £m		Amounts Included in LCC CIES £m	ICB £m	Total £m
			Funding Provided to the Pooled Budget			
			Revenue			
-	(51.5)	**(51.5)**	ICB Minimum Contribution	-	(57.1)	**(57.1)**
(17.7)	-	**(17.7)**	Improved Better Care Fund	(21.8)	-	**(21.8)**
-	(4.4)	**(4.4)**	ICB Discharge Fund	-	-	**-**
(4.1)	-	**(4.1)**	LA Discharge Fund	-	-	**-**
(21.8)	**(55.9)**	**(77.7)**	**Total Revenue Income**	**(21.8)**	**(57.1)**	**(78.9)**
(5.5)	**-**	**(5.5)**	Capital Disabled Facilities Grant	(5.9)	-	**(5.9)**
(27.3)	**(55.9)**	**(83.2)**	**Total Income**	**(27.7)**	**(57.1)**	**(84.9)**
			Expenditure Met from the Pooled Budget			
21.8	33.6	**55.4**	Actual Spend incurred by LCC managed schemes including IBCF	21.8	33	**54.8**
-	22.3	**22.3**	Actual spend incurred by ICB managed schemes	-	24.1	**24.1**
21.8	**55.9**	**77.7**	**Total Revenue Expenditure**	**21.8**	**57.1**	**78.9**
5.5	-	**5.5**	Capital Disabled Facilities Grant	5.9	-	**5.9**
27.3	**55.9**	**83.2**	**Net Position on the Pooled Budget**	**27.7**	**57.1**	**84.8**

The BCF is used to fund various schemes as identified in the agreed joint plan. Details of the income and expenditure in the pool are provided in the table above.

- Activity where funding was received and expended under the control of the Council has been accounted for in the Council’s accounts
- Activity where funding was received and expended under the control of the ICB has been accounted for in their accounts

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.

	Salary £000	Compensation for loss of office £000	Employers Pension Contribution £000	Total (incl. Employers Pension Contribution) £000
2025/26				
Chief Executive - Jane Moore (N1)	67	-	19	86
Director of Adults & Communities - Jonathan Wilson (N2)	133	-	39	172
Interim Director of Children & Family Services (N3)	46	-	14	60
Interim Director of Children & Family Services (N3)	41	-	12	53
Director of Corporate Resources - S151 Officer – Declan Keegan	152	-	45	197
Director of Environment & Transport - Ann Carruthers	157	-	46	203
Director of Public Health – Michael Sandys	157	-	23	180
Interim Director of Law & Governance- Monitoring Officer (N4)	36	-	9	45
Chief Executive - to Dec 2025 John Sinnott (N5)	181	-	-	181
Director of Law & Governance - to Dec25 Monitoring Officer - Lauren Haslam (N6)	121	-	31	152
Director of Children & Family Services to Dec 2025 - Jane Moore (N1)	106	-	31	137
Total	**1,197**	**-**	**269**	**1,466**
2024/25				
Chief Executive – John Sinnott	227	-	-	227
Director of Law and Governance -Monitoring Officer – Lauren Haslam	157	-	46	203
Director of Adults & Communities – Jonathan Wilson	152	-	45	197
Director of Children & Family Services – Jane Moore	152	-	45	197
Director of Corporate Resources – S151 Officer	143	-	42	185
Director of Environment & Transport – Ann Carruthers	152	-	45	197
Director of Public Health – Michael Sandys	152	-	22	174
Total	**1,135**	**-**	**245**	**1,380**

There were no payments made for bonuses, expense allowances or benefits in kind.

N1 - The Director of Children & Family Services was appointed Chief Executive in December 2025.
The annualised salary for this post was £206k in 2025/26.
N2 - The Director of Adults & Communities reduced his hours to 0.6FTE in December 2025.
The annualised salary for this post was £157k in 2025/26.
N3 - Two Assistant Directors were appointed as joint interim Directors of Children & Family Services in December 2025.
The annualised salary for this post was £142k in 2025/26.
N4 - The Interim Director of Law & Governance (Monitoring Officer) was appointed in December 2025.
The annualised salary for this post was £142k in 2025/26.
N5 - The Chief Executive left in December 2025.
N6 - The Director of Law & Governance (Monitoring Officer) left in December 2025.

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.

2024/25			2025/26	
Excluding Severance	Including Severance		Excluding Severance	Including Severance
No. of Employees	No. of Employees	Remuneration Band	No. of Employees	No. of Employees
308	308	£50,000-£54,999	388	392
153	153	£55,000-£59,999	149	148
65	65	£60,000-£64,999	117	117
59	60	£65,000-£69,999	59	60
46	46	£70,000-£74,999	47	46
40	40	£75,000-£79,999	34	34
11	11	£80,000-£84,999	38	39
13	13	£85,000-£89,999	9	10
9	9	£90,000-£94,999	7	7
5	5	£95,000-£99,999	10	10
2	3	£100,000-£104,999	2	2
3	3	£105,000-£109,999	2	2
-	-	£110,000-£114,999	5	5
2	2	£115,000-£119,999	-	-
1	1	£120,000-£124,999	1	1
1	1	£125,000-£129,999	2	2
4	4	£130,000-£134,999	-	-
-	-	£135,000-£139,999	4	4
722	**724**	**Total**	**874**	**879**

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	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25 £m	2025/26 £m
£0 - £20,000	21	24	9	9	30	33	0.2	0.4
£20,001 - £40,000	2	5	3	3	5	8	0.2	0.2
£40,001 - £60,000	1	4	-	-	1	4	0.1	0.2
£60,001 - £80,000	-	2	-	-	-	2	-	0.1
£80,001 - £100,000	-	1	-	-	-	1	-	0.1
£100,001-£150,000	1	-	-	-	1	-	0.1	-
Total	**25**	**36**	**12**	**12**	**37**	**48**	**0.6**	**1.0**

Note: 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:

2024/25 £m		2025/26 £m
0.8	Basic Allowance	0.9
0.4	Special Responsibility Allowances	0.4
1.2	**Total**	**1.3**

Note 34: External Audit Costs

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

2024/25 £		2025/26 £
	Fees payable to external auditor:	
282,063	Annual audit	289,960
15,000	Other services provided during the year	15,000
297,063	**Total**	**304,960**

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 2025/26 are as follows:

	2024/25		Schools Budget Funded by DSG		2025/26	
£m	£m	£m		£m	£m	£m
Central Exp	Individual Schools Budget	Total		Central Exp	Individual Schools Budget	Total
		(711.4)	Final DSG for 2024/25 before academy and high needs recoupment			(792.4)
		457.8	Academy and high needs figure recouped for 2024/25			498.8
		(253.6)	Total DSG after academy and high needs recoupment for 2024/25			(293.6)
		-	Plus: brought forward from 2023/24			-
		-	Less: Carry forward to 2025/26 agreed in advance			-
(176.3)	**(77.3)**	**(253.6)**	**Agreed initial budgeted distribution in 2024/25**	**(215.2)**	**(78.4)**	**(293.6)**
(0.3)	(0.1)	(0.4)	In year adjustments	0.6	(0.2)	0.5
(176.6)	(77.4)	(254.0)	Final budgeted distribution for 2024/25	(214.6)	(78.6)	(293.1)
192.9	-	192.9	Less: Actual central expenditure	248.3	-	248.3
-	77.4	77.4	Less: Actual ISB deployed to schools	-	75.8	75.8
-	-	-	Plus: Local Authority contribution for 2024/25	-	-	0.0
16.3	**-**	**16.3**	**In year carry forward to 2025/26**	**33.7**	**(2.8)**	**30.9**
		32.0	DSG unusable reserve at the year end4			48.3
		16.3	Addition to DSG unusable reserve at the end of 2024/25			30.9
		48.3	**DSG Deficit at the year end**			**79.2**

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.

2024/25 £m		2025/26 £m
	Revenue:	
0.4	Services Grant	1.2
-	National Insurance Inc compensation grant	3.7
1.0	New Homes Bonus Scheme Grant	1.0
1.5		5.9
	Capital:	
	Department for Education:	
0.5	Basic Need	10.3
0.6	Maintenance	1.3
0.5	High Needs Provision	0.4
	Department for Transport:	
2.6	Melton Mowbray Distributor Road – North East	-
-	DfT Major Road Network Grant - A511 Growth Corridor	2.4
9.9	Local Transport Plan - Maintenance	28.8
2.8	Local Transport Plan – Integrated Transport Schemes	2.8
-	Local Transport Grant	12.3
7.9	Pothole Funding	-
8.1	ZEBRA Funding	-
2.3	Network North Grant	-
3.2	Levi Project	-
6.5	*Section 106 Housing Developer Contributions*	2.3
3.3	Gain on donated asset leases	-
4.3	*Other Capital Contributions* (below £1m at 31 March 2026)	2.2
52.5		62.8
54.0	**Total (Note 14 non-ring-fenced government grants and capital grants and contributions)**	**68.8**

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

2024/25 £m		2025/26 £m
	Children and Family Services – Education:	
252.5	Dedicated Schools Grant	287.9
5.5	Pupil Premium Grant	1.3
7.5	Asylum Seekers	9.4
2.3	Universal Infant Free School Meals	-
1.5	Music Grant	1.5
1.8	Troubled Families Programme	1.8
1.3	PE & Sports Grant	0.0
1.6	Children's Innovation Partnership	1.7
1.2	Domestic Abuse Services Fund	1.5
1.3	Adoption Support Fund	1.1
2.1	Teachers Pay Grant	-
3.0	Core School Budget Grant	-
2.9	Teachers' Pension Employer Contribution Grant	-
2.1	Wraparound Childcare Programme Grant	-
-	Service Progression and Sustainability	1.5
-	Early Years Expansion Grant	1.1
286.5		308.6
	Adults and Communities – Dept of Health:	
17.7	Improved Better Care Fund	21.8
4.1	Better Care Fund Discharge Grant	-
5.3	Skills Funding Agency	4.1
10.6	Market Sustainability & Improvement Fund Grant	10.6
37.7		36.5
	Public Health	
28.3	Public Health Grant	30.1
28.3		30.1
	Environment & Transport	
1.1	Home to School Transport Grant	-
2.7	Bus Service Improvement Plan	6.2
-	Extended Producer Responsibility	6.3
3.8		12.5
	Corporate Resources	
7.2	Household Support Fund	6.4
	Chief Executives	
3.3	Homes for Ukraine	1.4
	Central Items –	
43.7	Social Care Grant	51.0
30.3	REFCUS Capital Grants	33.8
8.0	Other income (below £1m at 31 March 2026) and REFCUS	27.6
448.9	**Total**	**507.9**

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 provider. The balances at the year-end are as follows:

31 March 2025 £m	Short-Term Capital Grants Receipts in Advance:	31 March 2026 £m
7.2	Dept. for Education: High Needs Capital Grant	15.0
0.5	Dept. for Education: Childcare expansion	-
0.0	Dept. for Education: Basic Needs Capital Grant	2.4
3.1	Dept. for Transport: LEVI Grant	3.2
8.1	Dept. for Transport: ZEBRA Grant	0.6
-	Dept. for Transport: BSIP Capital Grant	2.8
3.6	Section 106 Housing Developer Contributions	2.7
3.1	Other Grants and Contributions	3.2
25.6	**Total**	**30.0**

31 March 2025 £m	Long-Term Capital Grants Receipts in Advance:	31 March 2026 £m
69.4	Section 106 Housing Developer Contributions	81.6
69.4	**Total**	**81.6**

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 15. 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 the 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

During 2025/26 the Authority had contracts with voluntary and community sector organisations to the value of £0.4m (2024/25, less than £0.5m), in which 20 members (2024/25, 10 members) have an interest. 1 family members of the declared members had an interest to the value of £0.6m (2024/2025, no family members declared an interest).

In addition, payments totalling less than £0.8m have been made during 2025/26 (2024/25, £0.1m) to organisations, in which 5 members had a position on the governing body (2024/25, 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

During 2025/26, works and services to the total value of less than £0.6m (2024/25 less than £0.4m) were commissioned from companies, in which 1 member had an interest, no family members had an interest. Contracts were entered into in full compliance with the Authority's standing orders.

Officers

During 2025/26, works and services to the total value of less than £0.2m were procured (2024/25 less than £0.1m) in which 1 senior officer had an interest, no family member had an interest.

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

The Authority has one pooled budget arrangements with local health authorities for the supply of aids for daily living and the Better Care Fund. These are detailed in Note 31 to the accounts.

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 (2024/25, less than £0.1m) and an outstanding debtor balance of £1.0m as at 31 March 2026 (2024/25 £0.9m). 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 2026 was £2.3m (31 March 2025 £2.7m).

The Authority in effect owns approximately one sixth of ESPO's unaudited assets and liabilities, which were £7.6m at 31 March 2026 (£7m, 31 March 2025), of ESPO's total net assets of £45.5m. These are not included on the Authority's Balance Sheet. A copy of ESPO's financial statements is available from ESPO, Barnsdale Way, Grove Park, Enderby, Leicester, LE19 1ES.

b) Leicestershire Fire and Rescue Service

The Authority is a constituent member of the Leicestershire Fire and Rescue Service. The Authority had an outstanding debtor balance at 31 March 2026 of £0.2m (31 March 2025 £0.2m). A copy of the Fire and Rescue Services financial statements is available from Leicestershire Fire and Rescue Service, 12 Geoff Monk Way, Birstall, Leicester, LE4 3BU.

c) East Midlands Shared Services

Nottingham City Council (NCC) runs a joint operation with Leicestershire County Council (LCC) to provide shared transactional finance, human resources and payroll services to both councils 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 separate legal personality and is therefore not a separate entity.

Operations relating to EMSS are carried out at both NCC and LCC 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 costs for NCC of 55.09%

A summary of the income and expenditure of EMSS, and the amounts included in LCC's accounts is shown below:

Total EMSS 2024/25 £m	Amounts Included in LCC CIES 2024/25 £m		Total EMSS 2025/26 £m	Amounts Included in LCC CIES 2025/26 £m
		Income:		
(0.4)	(0.4)	Direct external income - LCC	(0.1)	(0.1)
(0.4)	-	Direct external income – NCC	(0.4)	-
-	(3.4)	NCC share of net LCC direct costs	-	(3.6)
(0.8)	**(3.8)**	**Total Income**	**(0.6)**	**(3.7)**
		Expenditure:	6.2	6.2
6.0	6.0	Direct costs incurred by LCC		
-	-	Direct costs incurred by NCC	-	-
6.0	**6.0**	**Total Expenditure**	**6.2**	**6.2**
5.2	**2.2**	**Net Expenditure**	**5.7**	**2.5**

d) Active Together

Active Together, formerly known as Leicestershire & Rutland Sport (LRS) is an Active Partnership (AP), 1 of 43 operating across England. Active Together works with the Local Authorities of Leicestershire, Leicester and Rutland, and with schools, National Governing Bodies of Sport, clubs, coaches, charitable organisations and volunteers to create a lasting legacy for physical activity and sport. Active Together is funded from different sources including Leicestershire County Council (LCC) Public Health and Sport England. LCC is the host Authority and the Active Together accounts form a part of the overall Public Health budget. A summary of the income and expenditure specific to Active Together is as follows:

2024/25 £m	Income and Expenditure Category	Sport England £m	Local Authority £m	Other Public Sector Income £m	Non-public Income £m	2025/26 £m
	Income:					
(1.9)	Revenue Grants	(1.0)	(1.2)	-	-	(2.2)
-	Membership Income	-	-	-	-	-
(0.4)	Other Income	-	-	(0.4)	-	(0.4)
(2.3)	**Total Income**	**(1.0)**	**(1.2)**	**(0.4)**	**-**	**(2.6)**
	Expenditure:					
1.4	Support costs	0.6	0.8	-	-	1.4
0.1	Overheads	-	0.1	-	-	0.1
0.8	Health (Get Active)	-	0.4	0.3	-	0.7
0.1	Children & Young People (Stay Active)	-	-	-	0.1	0.1
-	People & Community (Active Place)	0.3	-	-	-	0.3
-	Organisation & Workforce (Workforce)	-	-	-	-	-
0.1	MarComms	-	0.1	-	-	0.1
2.5	**Total Expenditure**	**0.9**	**1.3**	**0.3**	**0.1**	**2.6**
0.2	**Net**	**(0.1)**	**0.1**	**(0.1)**	**0.1**	**-**
0.2	**Earmarked Deferred project Expenditure/ (Net Deficit Required from Reserves)**					**-**

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 £4.0m (2024/25, £3.4m). The majority of transactions for the Fund are processed by the Authority and are recovered from the Fund. At 31 March 2026 the Authority had a debtor with the fund of £2.6m (31 March 2025 £2.1m).

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 agreed to operate a pooling agreement for business rates levies and safety net payments, the Leicester & Leicestershire Pool (LLP), over the period from 2015/16 to 2025/26. The Council is the lead Authority for the LLP.

The Government has implemented a "reset" to the baselines for2026/27 and has also changed the basis of Safety Nets and Levies from 2026/27 onwards. It is anticipated that pooling will not be as beneficial as in previous years and the risk of losing access to the national safety net will not be worth the reward of not having to pay a 10% levy to the Government. As a consequence, the partners decided in January 2026 that the Pool should be revoked. A redistribution of the contingency of £2m held by the Pool has been included in the accruals to the 2025/26 accounts.

A summary of the position for 2025/26 is shown below which shows an overall surplus on the Pool of £20.4m.

2025/26	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	22.7	17.4	2.5	2.7	-
Charnwood	25.7	21.6	4.7	2.1	-
Harborough	28.5	19.9	2.0	4.2	-
Hinckley & Bosworth	20.6	14.9	2.9	2.9	-
Melton	7.4	6.3	1.4	0.6	-
NW Leicestershire	42.2	26.8	2.7	7.7	-
Oadby & Wigston	6.1	5.6	1.7	0.3	-
Total	**153.2**	**112.5**	**17.8**	**20.4**	-
2025/26 Net Gain					**20.4**
Contingency b/f					2.0
Prior year end adjustments					0.3
Less allocations to LLBRP partners					(22.7)
Total 31 March 2026					**-**

The total of £22.7m as at 31 March 2026 comprises a £2.0m contingency from previous years and a net £0.3m adjustment in changes to previous year levies. The total is distributed by allocations of one third each to the County Council, Leicester City Council and the seven District Councils.

The County Council's financial statements include:

- its share of the 2025/26 Business rates pool surplus, prior year adjustments and contingency, giving a net total of £5.5m at 31 March 2026, shown as additional NDR income in the CIES
- net creditor of £7.5m to Leicester City Council for their allocation.

- creditors to Melton for £0.1m and Oadby and Wigston for £0.4m for their net allocations.
- debtors of £13.6m from the other five District Councils representing the net position of the levy due from them, including the adjustments and the contingency

A summary of the position for 2024/25 is shown below which shows an overall surplus on the Pool of £21.5m.

2024/25	Funding Baseline £m	Rates Baseline £m	Retained Rates £m	Levy £m	Safety Net £m
Blaby	22.8	17.1	2.4	2.8	-
Charnwood	24.4	21.4	4.6	1.5	-
Harborough	27.5	19.7	1.9	3.9	-
Hinckley & Bosworth	19.9	14.7	2.8	2.6	-
Melton	6.9	6.2	1.4	0.3	-
NW Leicestershire	46.9	26.4	2.6	10.2	-
Oadby & Wigston	5.8	5.5	1.7	0.2	-
Total	**154.1**	**111.1**	**17.6**	**21.5**	-
2024/25 Net Gain					**21.5**
Contingency b/f					2.0
Less allocations to LLBRP partners					(21.5)
Total 31 March 2025 (Contingency c/f)					**2.0**

A total of £21.5m is allocated to the LLP partners 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. A £2m contingency is held towards future years.

The County Council's financial statements include:

- its share of the 2024/25 Business rates pool surplus of £7.2m at 31 March 2025, shown as additional NDR income in the CIES
- creditor of £7.2m to Leicester City Council for their share of the 2024/25 surplus
- creditors to Melton for £0.3m and Oadby and Wigston for £0.5m for their net shares of the 2024/245 surplus
- debtors of £15.1m from the other five District Councils representing the net position of the levy due from them
- in total, gross levies of £21.5m are due from the Districts, offset by their share of the 2024/25 surplus of £7.2m.
- The £2m contingency is shown 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 Freeport

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.

The Council has acted as the accountable body for EMF since its establishment in 2021. However, the Government has asked that responsibility is transferred to the 'East Midlands Combined County Authority'. The formal transfer to the Combined Authority was completed in June 2026, although the County Council will continue to provide support for a transitional period.

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.

After covering operational costs retained business rates will be available to supplement developer funding to maximise growth opportunities, mitigating adverse impacts of development.

Pending investment opportunities EMF have a balance of retained business rates income. The County Council holds this surplus balance on behalf of EMF, and pays EMF an element of interest on this balance. As at 31 March 2026 this surplus balance was £3.8m (compared to £0 at 31 March 2025). The balance is recognised as a creditor in the Council's accounts.

EMF's operating income and expenditure, and reserve balances are not included in the financial statements of the Council. The table below shows the provisional operating income & expenditure for EMF (final accounts for EMF not yet available).

2024/25 £m		2025/26 £m
	Income	
(4.1)	Retained Business Rates	(6.0)
(4.1)	**Total Income**	**(6.0)**
	Expenditure	
0.8	Staffing Costs	1.8
-	Accountable Body Costs	-
0.9	Other Running Costs	0.9
0.2	Interest Payable	-
(0.4)	Interest Receivable	(0.7)
1.6	**Total Expenditure**	**2.1**
(2.5)	**(Surplus) / Deficit for the year**	**(3.9)**
2.6	(Surplus) / Deficit brought forward	0.1
0.1	(Surplus) / Deficit carried forward	(3.8)

Separately the County Council has a creditor to EMF of £21.6m, which represents the balance of government seed challenge grant held on behalf of EMF, pending allocation to scheme delivery.

h) The provision of services for adults with learning disabilities

The Authority commissions services for adults with learning disabilities. In cases where there are health related care needs, the NHS Leicester, Leicestershire, and Rutland Integrated Care Board (ICB) will undertake an assessment and where appropriate agree to provide a financial contribution to the care needs. Each arrangement is subject to induvial agreement. During 2025/26, the ICB contributed £10.9m to the Authority (£9.2m, 2024/25) which is accounted for as income in the Authority's CIES.

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.

2024/25 £m		2025/26 £m
201.6	Opening Capital Financing Requirement	**197.6**
	Capital Investment:	
88.0	Property, Plant and Equipment	106.0
46.1	Revenue Expenditure Funded from Capital under Statute	34.3
3.4	Right of Use Assets Recognised in Year (Leases)	1.3
	Sources of Finance:	
(5.7)	Capital Receipts	(7.2)
(93.9)	Government grants and other contributions	(101.2)
(34.6)	Direct revenue contributions	(32.0)
(7.3)	Statutory Minimum Revenue Provision	(5.8)
197.6	**Closing Capital Financing Requirement**	**193.2**
	Explanation of Movements in Year	
	Increase in underlying need to borrow:	
-	Supported by government financial assistance	-
3.4	Unsupported by government financial assistance – (Leases)	1.3
(7.3)	Minimum Revenue Provision	(5.8)
(4.0)	**Increase/(Decrease) in Capital Financing Requirement**	**(4.4)**

Note 40: Leases

The Council as Lessee

Where the Council leases in assets, the leased asset is recognised as a right-of-use asset with a corresponding liability at the date from which the leased asset is made available for use.

Right of use assets

The Council's right of use assets are summarised in the table below:

2024/25 £m	Council as Lessee	2025/26 £m
0.5	**As at 1 April**	**7.5**
5.4	Recognition of Right of Use Assets 1.4.2024	
1.3	Additions	1.4
1.3	Revaluation	0.9
(1.1)	Depreciation	(1.9)
-	Disposals	-
7.5	**As at 31 March**	**7.9**

Maturity analysis of lease liabilities

The Council's lease liabilities as at 31st March 2026, are due to be settled over the following time bands (measured at the discounted amounts of expected cash payments):

2024/25 £m	Council as Lessee	2025/26 £m
1.2	Less than one year	0.8
1.0	One to five years	1.3
0.8	More than five years	0.7
3.1	**As at 31 March**	2.8

Transactions under leases

Expenditure in the Comprehensive Income and Expenditure Statement associated with right-of-use assets includes interest, depreciation, any impairments or changes in variable lease payments. Rentals for exempt leases of low-value items or short-term leases are expensed. Transactions under leases were not material in 2025/26.

The Council as Lessor

Where an asset is leased by the Council to a third party as a finance lease the asset is written out of the Balance Sheet as a disposal. A debtor is recognised for any future lease payments receivable.

Where an asset is leased by the County Council to a third party as an operating lease the asset is retained in the Balance Sheet. Rental income is credited to the Comprehensive Income and Expenditure Statement on a straight-line basis over the life of the lease.

Lease rentals on Authority owned buildings received from lessees during the year in respect of operating leases totalled £7.6m (2024/25 £7.4m). Expected Lease rentals projected to be received in 2026/27 is £7.9m.

Note 41: Impairment Losses

During 2025/26, the Authority has recognised impairment losses of £4.6m (2024/25 £4.3m) in relation to capital expenditure which has been determined to not add additional valuation to the property, plant and equipment. The recoverable amount of the assets has been reduced to their value in use and the impairment loss charged to the relevant service line 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 2025/26 are £1.0m (2024/25 £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 2025, 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: Contingent Assets

As at 31 March 2026 the Authority had a net deficit on the Dedicated Schools Grant (DSG) of £79.2m. In February 2026 the government announced that local authorities with DSG deficits at the end of 2025/26 will be eligible to receive a High Needs Stability Grant covering up to 90% of their net DSG deficit subject to each Authority submitting and securing the Department for Education's (DfE) approval of a local SEND reform. The Authority submitted its plan in June 2026. The DfE will review the plans over the summer with a decision expected later in 2026 after which payments would then be made. No income has been recognised in the Authority's accounts as at 31 March 2026.

Note 45: 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 polices 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 MUFG Corporate Markets, 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 MUFG Corporate Markets assessment of their overall financial strength. The Authority will only lend for a maximum of one year (MUFG Corporate Markets 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 MUFG Corporate Markets 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 is detailed below:

Matrix for UK Banks and Building Societies

Maximum Sum Outstanding	£75m	£55m	£35m
Maximum Loan Period	1 year	1 year	6 months
General Description	'Special Instructions' (i.e. significant element of UK-Government ownership) and included in MUFG list for period of 1 year or more	Not 'special instructions' and included in MUFG list for period of 1 year or more	Included in MUFG 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 MUFG list for period of 1 year or more	Included in MUFG list for period of 6 months

A maximum of £70m 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 = £40m
Maximum amount in all Money Market Funds = £200m

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 2026 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:

2024/25 £m		**2025/26 £m**
25.5	Less than three months	34.4
4.6	Three to six months	3.7
7.3	Six months to one year	7.7
15.9	More than one year	19.4
53.3	**Total**	**65.2**

In respect of the above sales ledger debt, the Authority has made a credit loss allowance of £21.0m 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 no 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 2025 £m		31 March 2026 £m
	Analysis of Loan Maturity Profile:	
3.0	Less than 1 year	2.2
3.0	**Total Short-Term Loans by Maturity**	2.2
1.0	Between 1 and 2 years	1.0
1.4	Between 2 and 5 years	1.0
0.3	Between 5 and 10 years	0.3
0.3	Between 10 and 15 years	0.4
7.6	Between 15 and 20 years	12.5
48.0	Between 20 and 25 years	43.2
54.9	Between 25 and 30 years	30.4
19.9	Between 30 and 35 years	0.1
10.1	Between 35 and 40 years	10.1
0.1	Between 40 and 45 years	-
33.5	Greater than 45 years	33.5
177.1	**Total Long-Term Loans by Maturity**	132.5
180.1	**Total Loans by Maturity**	**134.7**

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 2026, 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	-
Increase in interest receivable on variable rate investments	0.5
Increase in government grant receivable for financing costs	-
Impact on Surplus or Deficit on the Provision of Services	**0.5**
Decrease in fair value of fixed rate investment assets	8.7
Impact on Other Comprehensive Income and Expenditure	**8.7**
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)	(13.5)

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 £53m 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 £0.5m gain or loss being recognised in the surplus of deficit on the provision of services as at 31 March 2026.

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 46: 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	500,000
Fidelity guarantee	100,000
Motor	5,000

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 47: Trust Funds (excluded from the Balance Sheet)

The Authority acts as trustee and/or administrator for 7 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.

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:

Trust Funds	Balance at 31 March 2025 £m	Balance at 31 March 2026 £m
Kibworth High School Endowment	0.4	0.4
Others	0.2	0.2
Total Trust Funds	**0.6**	**0.6**

Note 48: Accounting Policies

1. General Principles

The Statement of Accounts summarises the Authority's transactions for the 2025/26 financial year and its position at the year-end of 31 March 2026. 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 2025/26 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.

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 14 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 has 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. 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 unless the historic cost value is greater than £1m, in which case a valuation is obtained for the relevant financial year end. Valuations are carried out by external and qualified Chartered Surveyors (the Valuer), 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, where applicable, on a report issued by the Valuer as at 31 March 2026 in respect of those assets subject to external valuation. In the intervening years, the remaining assets not valued by the external Valuer are revalued using appropriate indices to ensure that carrying values are not materially misstated. Additions since that date are included in the accounts at their cost of acquisition. The addition is then reviewed, and where the actual capital expenditure does not increase the asset valuation or where the expenditure is less than the Authority's £100,000 capital de minimis level, this value is recognised in the Comprehensive Income and Expenditure Statement as capital impairment.

- **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 impairment.

- **Infrastructure Assets:** Includes 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 historic cost.

- **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:** When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an asset held for sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the other operating expenditure line in the Comprehensive Income and Expenditure Statement. Gains in fair value are recognised only up to the amount of any previously recognised losses in the surplus or deficit on the provision of services. Depreciation is not charged on assets held for sale.

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 is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement, also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). The written-off amounts of disposals are not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the capital adjustment account from the General Fund Balance in the Movement in Reserves Statement.

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

The Authority as lessee

The Authority classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 Leases to include arrangements with nil consideration, peppercorn or nominal payments.

Initial measurement

Leases are recognised as right-of-use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year but may have extension options.

The Authority initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Authority's incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Authority is reasonably certain to exercise
- Lease payments in an optional renewal period if the Authority is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the Authority is reasonably certain not to terminate early.

The right-of-use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received.

However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

Subsequent measurement

The right-of-use asset is subsequently measured using the fair value model. The Authority considers the cost model to be a reasonable proxy except for:

- assets held under non-commercial leases
- leases where rent reviews do not necessarily reflect market conditions
- leases with terms of more than five years that do not have any provision for rent reviews
- leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount. In the financial statements, right-of use assets held under index-linked leases have been adjusted for changes in the relevant index, while assets held under peppercorn or nil consideration leases have been valued using market prices or rentals for equivalent land and properties.

The right-of-use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- there is a change in future lease payments arising from a change in index or rate
- there is a change in the estimate of the amount expected to be payable under a residual value guarantee
- the Authority changes its assessment of whether it will exercise a purchase, extension or termination option, or
- there is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right-of-use asset, with any further adjustment required from remeasurement being recorded in the income statement.

Low value and short lease exemption

As permitted by the Code, the Authority excludes leases:

- for low-value items that cost less than £20,000 when new, provided they are not highly dependent on or integrated with other items, and
- with a term shorter than 12 months (comprising the non-cancellable period plus any extension options that the Authority is reasonably certain to exercise and any termination options that the Authority is reasonably certain not to exercise).

Lease expenditure

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, straight line depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred. Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed.

Depreciation and impairments are not charges against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves Statement.

The Authority as lessor

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

Finance leases

Where the Authority grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (whether property, plant and equipment or assets held for sale) 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. A gain, representing the Authority’s net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the financing and investment income and expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund balance and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund balance to the capital receipts reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund balance to the deferred capital receipts reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the capital receipts reserve.

The written-off value of disposals is 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 therefore appropriated to the Capital Adjustment Account from the General Fund balance in the Movement in Reserves 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. Credits are made on a straight-line basis over the life of the lease or where this is initiated by a service to the individual service, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease). Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

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
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 is reflected in the Balance Sheet as the 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. Deferred Capital Receipts

Deferred capital receipts arise where the Authority has disposed of an asset but consideration is receivable in future periods. Deferred capital receipts are initially recognised at the value of the outstanding debtor and are held in the Unusable Deferred Capital Receipts Reserve. Amounts are transferred to the Capital Receipts Reserve when the related cash receipts are received and become available for statutory capital financing purposes in accordance with the Local Government Act 2003, associated Regulations, and the Code of Practice on Local Authority Accounting.

13. 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.

14. 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 advanced 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.

15. 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 cost 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.

16. 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 amortised cost.

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.

17. 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 Pension 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 15 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.

18. Value Added Tax (VAT)

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

19. 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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. 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.

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 2026.

DECLAN KEEGAN
DIRECTOR OF CORPORATE RESOURCES
30 JUNE 2026

Leicestershire County Council Pension Fund Accounts 2025/26

(Registration number: 00328856RQ)

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 of the Scheme, which does take account of such obligations, is set out in the Actuary's Report on page 118.

The introduction and the notes on pages 88 to 117 form part of the financial statements.

Fund Account for the Year Ended 31 March 2026

2024/25 £m		Notes	2025/26 £m
	Contributions		
(246.7)	Employer Contributions	7	(259.0)
(56.8)	Member Contributions	7	(60.4)
(6.8)	Transfers in from Other Pension Funds	8	(14.9)
(310.3)	**Total Contributions**		**(334.3)**
	Benefits		
180.6	Pensions	9	190.8
54.8	Commutation of Pensions and Lump Sum Retirement Benefits	9	46.8
6.4	Lump Sum Death Benefits	9	6.6
20.9	Payments to and on Account of Leavers	10	22.2
262.7	**Total Benefits**		**266.5**
(47.6)	**Net (Additions)/Withdrawals from Dealings with Members**		**(67.8)**
51.5	Management Expenses	11	43.2
4.0	**Net (Additions)/Withdrawals Including Fund Management Expenses**		**(24.6)**
	Returns on investments		
(117.6)	Investment income	12	(97.1)
(192.5)	(Profit) and Losses on Disposal of Investments and Changes in Value of Investments	13	(683.0)
(310.1)	**Net Returns on Investments (Sub Total)**		**(780.1)**
(306.1)	**Net (Increase) / Decrease in the Net Assets Available for Benefits fund During the Year**		**(804.7)**
(6,391.5)	Net assets of the scheme Opening		(6,697.6)
(6,697.6)	**Net assets of the scheme Closing**		**(7,502.3)**

Net Assets Statement as at 31 March 2026

2024/25 £m		Notes	2025/26 £m
6,687.4	Investment assets	13	7,500.4
(3.6)	Investment liabilities	13	(14.1)
6,683.8			**7,486.3**
26.5	Current Assets	16	26.2
(12.8)	Current Liabilities	16	(10.2)
6,697.6	**Net Assets of the Fund at 31 March**		**7,502.3**

The unaudited accounts were issued on 30 June 2026
Declan Keegan, Director of Corporate Resources, 30 June 2026

Note 1: 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, two representing the District Councils and a single member representing Universities. The Committee receives investment advice from the fund's Actuary, Hymans Robertson LLP, and meets quarterly to consider relevant issues.

The Director of Corporate Resources is responsible for the preparation of the Pension Fund Statement of Accounts. The Corporate Governance Committee is responsible for approving the financial statements for publishing.

Membership

Membership of the LGPS is automatic for entitled employees, but 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-25	31-Mar-26
Number of active employers*	195	199
Number of employees in the scheme (Actives)		
County Council	8,765	8,564
Other employers	32,218	32,771
Total	**40,983**	**41,335**
Number of pensioners		
County Council	12,711	13,006
Other employers	22,966	24,270
Total	**35,677**	**37,276**
Deferred pensioners		
County Council	9,686	9,436
Other employers	22,916	23,183
Total	**32,602**	**32,619**
Total number of members in the pension scheme	**109,262**	**111,230**

*Active employers is 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% to 12.5% of pensionable pay for the financial year ending 31 March 2026. Employers' contributions are set based on triennial actuarial funding valuations. In 2025/26 the average employer rate was 26.6% of pay (26.9% 2024/25).

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 1/49th. 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.

Note 2: Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2025/26 financial year and its position at 31 March 2026. The accounts have been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code) which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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:

- The effect of changes in Foreign Exchange rate (amendment to IAS21).
- IFRS 17 Insurance contracts replaces IFRS 4.

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

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 actuary's report to the Pension Fund accounts.

The Accounts have been prepared on a going concern basis.

Note 3: 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 adjustments 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 8. 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 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).

All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

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 11A 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 13 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 classed as amortised cost are carried in the net assets statement at amortised cost, i.e. the outstanding principal 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 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 IAS 26 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. AVCs 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 27.

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 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.

Note 4: Critical Judgements in Applying Accounting Policies

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

Note 5: 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 £411.3m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £20.6m
Freehold, Leasehold Property and Pooled Property Funds	Valuation 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 £457.2m. 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 overstated by 5% the value of the investment would increase or decrease by £22.9m.
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	Pooled bond and debt funds are valued at £506.3m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £25.3m.

Item	Uncertainties	Effect if Actual Results Differ from Assumptions
	listed and as such there is a degree of estimation involved in the valuation.	
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 £739.2m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £37.0m.
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 £148.4m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £7.4m
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 £8.9m in the financial statements. It would not be unreasonable for it to move by +/- 5% the value of the investment would increase or decrease by £0.4m.

Note 6: Events after the Reporting Date

The Statement of Accounts was authorised for issue by the Director of Corporate Resources on 30 June 2026. 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 2026, 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.

The Government has continued to progress reforms to the Local Government Pension Scheme (LGPS), building on proposals developed under the previous administration. Changes to the LGPS framework have been advanced through a combination of updated statutory guidance and amendments to existing regulations, rather than a single piece of primary legislation. The reforms focus on strengthening asset pooling arrangements and clarifying the respective roles of administering authorities and pools.

Key elements include:

- Participation in a single asset pool company, authorised and regulated by the Financial Conduct Authority (FCA).
- A strengthened expectation that the majority of investment implementation is delivered through the pool, while administering authorities retain overall fiduciary responsibility.
- Pools playing an enhanced role in providing investment advice and implementing investment strategies, while responsibility for setting the investment strategy — including strategic asset allocation (SAA), funding objectives, risk tolerance, and responsible investment policies (including stewardship and voting) — remains with the administering authority's Pension Committee.
- Increased emphasis on collaboration with relevant strategic and local authorities to identify and support suitable local investment opportunities, with the option for funds to deliver this through their pool.

In response to these developments, several LGPS funds have reviewed their pooling arrangements. Six funds have chosen to leave their previous pooling structures and join LGPS Central as equal partners, increasing the number of participating funds to 14 and total assets to over £100 billion.

Note 7: Contributions

2024/25 £m		2025/26 £m
	Employers	
233.9	Normal	245.1
7.0	Deficit Repair	7.2
3.3	Advanced payments for early retirements	2.6
2.5	Additional payments for ill-health retirements	4.1
	Members	
56.5	Normal	59.8
0.3	Purchase of additional benefits	0.6
303.5	**Total**	**319.4**

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.

The contributions (employee and employer) can be analysed by the type of Member Body as follows:

2024/25 £m		2025/26 £m
75.1	Leicestershire County Council	79.2
215.3	Scheduled bodies	225.3
13.1	Admitted bodies	14.9
303.5	**Total**	**319.4**

Note 8: Transfers In

2024/25 £m		2025/26 £m
6.8	Individual transfers in from other schemes	14.9
6.8	**Total**	**14.9**

Note 9: Benefits

The benefits paid can be analysed as follows: -

By Category:

2024/25 £m		2025/26 £m
180.6	Pensions	190.8
54.8	Commutation and lump sum retirement benefits	46.8
6.4	Lump sum death grant	6.6
241.8	**Total**	**244.2**

By type of Employer:

2024/25 £m		2025/26 £m
76.2	Leicestershire County Council	76.4
155.7	Scheduled bodies	158.5
9.9	Admitted bodies	9.3
241.8	**Total**	**244.2**

Note 10: Payments to and on Account of Leavers

2024/25 £m		2025/26 £m
1.7	Refunds to members leaving the scheme	0.8
19.2	Individual transfers to other schemes	21.4
20.9	**Total**	**22.2**

Note 11: Management Expenses

2024/25 £m		2025/26 £m
48.1	Investment Management Expenses (Note 11A)	39.2
2.4	Pension Scheme Administration Costs	2.7
1.0	Oversight and Governance Expenses	1.3
51.5	**Total ***	**43.2**

*Includes £4.0m of costs recharged by Leicestershire County Council (2024/25 £3.4m)

Note 11a: Investment Management Expenses

By Investment Type:

2025/26 £m	Management Expenses £m	Transactional Costs £m	Performance Related Fees £m	Total £m
Equities	0.4	0.1	0	0.6
Government Bonds	0.9	0.3	0	1.2
Index-linked securities	0.2	0.4	0	0.6
Pooled Investment Vehicles	15.8	8.0	7.2	31.0
Pooled property funds	5.0	1.5	0	6.5
Cash and currency & other balances	(0.5)	0	0	(0.5)
Total	**21.8**	**10.3**	**7.2**	**39.2**

2024/25 £m	Management Expenses £m	Transactional Costs £m	Performance Related Fees £m	Total £m
Equities	0.4	0.1	0	0.5
Government Bonds	0.5	0.1	0	0.6
Index-linked securities	0.3	0.5	0	0.8
Pooled Investment Vehicles	25.8	5.8	6.4	38.0
Pooled property funds	5.3	2.3	0	7.6
Properties	0.4	0	0	0.4
Cash and currency & other balances	0.3	0	0	0.3
Total	**32.9**	**8.8**	**6.4**	**48.1**

Note 12: Investment Income

2024/25 £m		2025/26 £m
1.2	Dividends from equities	1.2
0.8	Income from Government Bonds	1.4
2.3	Income from index-linked securities	3.2
84.1	Income from pooled investment vehicles	59.2
5.0	Net rents from properties	6.4
26.2	Interest on cash or cash equivalents	25.4
(2.1)	Net Currency Profit / (Loss)	0.2
117.6	**Total**	97.1

Note 12a: Property Income

2024/25 £m		2025/26 £m
6.0	Rental income	7.1
(1.1)	Direct operating expenses	(0.8)
5.0	**Total**	**6.4**

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

Note 13: Investments

	Value at 1 April 2025 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2026 £m
Equities	47.5	69.5	(70.2)	9.7	56.5
Government Bonds	54.5	159.6	(99.1)	1.8	116.8
Index-linked securities	229.3	207.3	(199.9)	3.1	239.8
Pooled investment vehicles	5,583.0	417.1	(283.3)	656.1	6,372.8
Properties	90.4	-	-	1.9	92.3
Derivatives contracts	(2.6)	-	(18.4)	10.7	(10.3)
Cash and currency & other investment balances	681.8	(63.0)	-	(0.4)	618.4
Total	**6,683.8**	**790.5**	**(670.9)**	**682.9**	**7,486.3**

	Value at 1 April 2024 £m	Purchases at Cost and Derivative Payments £m	Sales Proceeds and Derivative Receipts £m	Change In Market Value £m	Value at 31 March 2025 £m
Equities	24.1	50.5	(29.0)	1.9	47.5
Government Bonds	53.7	124.8	(124.0)	(0.1)	54.5
Index-linked securities	250.9	209.3	(208.6)	(22.3)	229.3
Pooled investment vehicles	5,436.7	514.5	(569.9)	201.7	5,583.0
Properties	96.0	-	-	(5.6)	90.4
Derivatives contracts	0.4	0.8	(19.8)	15.9	(2.6)
Cash and currency & other investment balances	513.2	167.7	-	0.9	681.8
Total	6,374.9	1,067.7	(951.2)	192.5	6,683.8

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.

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

2024/25 £m		2025/26 £m
843.3	LGPS Central – All World Equity Climate Multi Factor Fund	1,063.7
783.1	LGPS Central - Global Equity Active Multi Manager Fund	827.2
426.0	LGPS Central – Multi Asset Credit Multi Manager Fund	453.5
735.8	Legal and General All World Equity Index	867.5
557.1	Internally Managed Cash Balances	508.1
3,345.3	**Total**	**3,719.9**

2024/25 £m		2025/26 £m
	Equities	
15.8	UK quoted	17.7
1.3	UK unquoted	1.3
30.4	Overseas quoted	37.5
47.5		**56.5**
	Government Bonds	
0.7	UK Government Unquoted	0.7
53.8	Overseas Quoted	116.1
54.5		**116.8**
	Index Linked Securities	
229.3	UK quoted	239.8
229.3		**239.8**
	Pooled investment vehicles (unquoted)	
358.1	Property funds	364.9
390.9	Private equity	411.3
1,176.7	Bond and debt funds	1,319.0
2,758.3	Equity-based funds	3,224.8
17.9	Commodity-based funds	8.9
116.0	Timberland fund	148.4
9.9	Protection fund	6.8
131.6	Targeted return fund	149.6
623.7	Infrastructure fund	739.2
5,583.0		**6,372.8**
90.4	**Properties UK (Note 15)**	**92.3**
680.7	**Cash and currency**	**617.1**
	Derivatives contracts	
1.0	Forward foreign exchange assets	3.9
(3.6)	Forward foreign exchange liabilities	(14.1)
(2.6)	**Sterling Denominated**	**(10.3)**
1.1	**Other Investment Balances**	**1.3**
6,683.8	**Total Investments**	**7,486.3**

Note 14: 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	5.5	AUD	10.9	0	(0.1)
	GBP	26.1	USD	35.7	0	(0.9)
	GBP	0.6	JPY	127.7	0	0
	GBP	37.8	EUR	43.4	0	(0.1)
	GBP	0.3	CAD	0.6	0	0
Within 1 Month	USD	76.0	GBP	56.3	0	(1.3)
	EUR	4.1	GBP	3.6	0	0
	JPY	2,135.4	GBP	10.1	0	(0.2)
	JPY	(2,357.8)	USD	(15.4)	0	(0.4)
1 - 3 Months	CNY	24.5	GBP	24.3	0.2	0
	GBP	12.2	CHF	12.1	0.1	0
	GBP	13.1	CAD	13.0	0.1	0
	GBP	146.2	EUR	147.7	0	(1.6)
	GBP	18.8	INR	18.7	0.1	0
	GBP	18.9	TWD	19.0	0	(0.1)
	GBP	24.0	CNY	24.5	0	(0.4)
	GBP	3.9	HKD	4.0	0	0
	GBP	4.2	SEK	4.2	0	0
	GBP	53.7	JPY	54.4	0	(0.6)
	GBP	831.4	USD	839.7	0	(8.3)
	GBP	279.5	GBP	276.2	3.3	0
Open forward currency contracts at 31 March 2026					**3.9**	(14.1)
Net forward currency contracts at 31 March 2026					**(10.3)**	

Prior Period Comparison:

Open forward currency contracts at 31 March 2025	**1.0**	(3.6)
Net forward currency contracts at 31 March 2025	**(2.6)**	

Note 15: Property Investments

31 March 2025 £m		31 March 2026 £m
79.0	Freehold	81.4
6.6	Long Leasehold (over 50 years unexpired)	7.0
4.8	Medium/Short Leasehold (under 50 years unexpired)	3.9
90.4	**Total**	**92.3**

All properties, with the exception of the Fund's farm investment, were valued on an open market basis by of Savills (UK) Ltd at 31 March 2026. The Fund's farm was valued by James Forman of Leicestershire County Council. All of the Valuers are Members of the Royal Institute of Chartered Surveyors.

Note 15a: Property Holdings

31 March 2025 £m		31 March 2026 £m
96.0	**Opening Balance**	**90.4**
(5.6)	Net increase/(decrease) in market Value	1.9
90.4	**Total**	**92.3**

Note 16: Current Assets and Liabilities

2024/25 £m		2025/26 £m
21.5	Contributions due from employers	22.9
3.3	Other Debtors	2.7
1.7	Cash Balances	0.6
26.5	**Current assets**	**26.2**
(3.0)	Due to Leicestershire County Council	(2.5)
(1.1)	Fund Management Fees Outstanding	(1.2)
(8.7)	Other Creditors	(6.4)
(12.8)	**Current liabilities**	**(10.2)**
13.7	**Net current assets and liabilities**	**16.0**

Note 17: 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:-

31 March 2025 £m	%		31 March 2026 £m	%
		Investment oversight/managed by LGPS Central		
843.3	12.6	All World Equity Climate Multi Factor Fund	1,063.7	14.2
		Global equities multi-manager fund:		
202.2	3.0	*Harris*	215.7	2.9
250.6	3.7	*Schroders*	289.2	3.9
214.3	3.2	*Union*	220.3	2.9
116.1	1.7	*Longview*	102.0	1.4
		Global Active MAC Multi Manager Fund		
210.5	3.1	*Western Asset Management*	223.5	3.0
215.6	3.2	CTI	230.0	3.1
		Global Active Investment Grade Corporate Bond MMF		
95.5	1.4	*Neuberger Berman*	99.9	1.3
96.5	1.4	*Fidelity*	101.9	1.4
35.8	0.5	LGPSC Credit Partnership I LP	32.1	0.4
143.9	2.2	LGPSC Core/Core Plus Infrastructure Partnership LP	181.0	2.4
2.8	0	LGPSC Infrastructure Value Opportunistic	8.5	0.1
63.9	1.0	LGPSC Credit Partnership IV LP	85.9	1.1
158.1	2.4	LGPSC Credit Partnership II LP	170.1	2.3
0	0	LGPSC Private credit Direct Lending Ptshp 2024 LP	11.9	0.2
0	0	LGPSC Private Credit Real Asset Ptshp 2024 LP	13.1	0.2
0	0	LGPSC PE Co-Investments Ptshp 2025	1.5	0
9.0	0.1	LGPSC PE Primary Partnership 2018 LP	8.8	0.1
11.7	0.2	LGPSC PE Primary Partnership 2021 LP	19.2	0.3
6.1	1.1	LGPSC PE Primary Partnership 2023 LP	21.4	0.3
68.1	1.0	LGPSC UK Direct Property Fund	80.9	1.1
87.6	1.3	LGPSC Direct Property Portfolio	88.4	1.2
1,122.8	16.8	Legal & General Investment Management Limited	1,326.5	17.7
3,954.1	**59.2**	**Sub Total**	**4,595.5**	**61.4**
		Investments Managed outside of Pool		
563.0	8.4	Internally Managed	515.3	6.9
348.5	5.2	Adams Street Partners L.P.	352.8	4.7
333.0	5.0	Aegon Asset Management Limited	443.2	5.9
273.4	4.1	LaSalle Limited	285.9	3.8
123.8	1.9	Partners Group Limited	73.5	1.0
199.9	3.0	Ruffer LLP	219.6	2.9
168.9	2.5	JP Morgan Asset Management (UK) Limited	177.2	2.4
169.9	2.5	IFM Investors (UK) Ltd	189.7	2.5
131.6	2.0	Fulcrum Asset Management	149.6	2.0
116.1	1.7	Stafford Capital Partners Limited	148.4	2.0
57.3	0.9	Christofferson, Robb & Company Ltd	75.0	1.0
76.5	1.1	Quinbrook	144.3	1.9
49.9	0.7	DTZ Investment Management	45.3	0.6
41.8	0.6	Kravis Kohlberg Roberts & Co. Ltd	32.8	0.4
40.3	0.6	M&G	24.6	0.3
19.9	0.3	Infracapital	5.6	0.1
14.6	0.2	Aberdeen Standard Life Limited	5.4	0.1
0.9	0	Catapult Venture Managers Limited	2.4	0
0.2	0	Van Lanschot Kempen	0	0
2,729.5	**40.7**	***Sub Total***	**2,890.6**	**38.6**
6,683.8	**100.0**	**Grand Total**	**7,486.3**	**100.0**

Note 18: 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.

Note 19: Operation and Management of the Fund

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

Note 20: 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.

Note 21: 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	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,

		funds, adjusted for transactions arising after the date of such reports.		by changes to expected cash flows, and by any differences between audited and unaudited accounts.
Private Debt	Level 3	Valued at fair value in accordance with International Valuation Standards and the 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.	Valuations could be affected by significant changes in rental growth, vacancy levels or discount rate.

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 2026 and 31 March 2025.

Asset Type	Value at 31 March 2026 £m	Percentage change %	Value on increase £m	Value on decrease £m
Equities	1.3	27	1.7	0.9
Government Bonds	0.7	5	0.7	0.7
Pooled Investment Vehicles				
- Pooled property funds	364.9	23	449.6	280.2
- Pooled private equity funds	411.3	27	522.4	300.2
- Pooled bond and debt funds	506.3	9	552.4	460.2
- Pooled commodity funds	8.9	26	11.2	6.6
- Pooled timberland fund	148.4	15	170.1	126.7
- Pooled infrastructure fund	739.1	15	847.0	631.2
Properties	92.5	15	107.2	77.8
Total assets available to pay benefits	**2,273.4**		**2,662.3**	**1,884.5**

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
Equities	1.3	27	1.7	0.9
Government Bonds	0.7	5	0.7	0.7
Pooled Investment Vehicles				
- Pooled property funds	358.1	21	433.3	282.9
- Pooled private equity funds	390.8	27	496.3	285.3
- Pooled bond and debt funds	494.5	9	539.0	450.0
- Pooled commodity funds	17.9	19	21.3	14.5
- Pooled timberland fund	116.1	15	133.5	98.7
- Pooled infrastructure fund	623.7	15	717.3	530.1
Properties	90.5	15	104.1	76.9
Total assets available to pay benefits	**2,093.6**		**2,447.2**	**1,740.0**

Note 21a: 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.

Values at 31st March 2026	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial and non-financial assets at fair value	3,275.2	1,333.3	2,273.4	6,881.9
Financial liabilities at fair value	(14.2)	0	0	(14.2)
Net financial and non-final assets carried at fair value	**3,261.0**	**1,333.3**	**2,273.4**	**6,867.7**

The above table excludes cash and cash equivalents of £617.1m which are carried at amortised cost.

Values at 31st March 2025	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Financial and non-financial assets at fair value	2,779.3	1,132.7	2,093.6	6,005.6
Financial liabilities at fair value	(3.6)	0	0	(3.6)
Net financial and non-final assets carried at fair value	**2,775.7**	**1,132.7**	**2,093.6**	**6,002.0**

The above table excludes cash and cash equivalents of £680.7m and other investment balances of £1.1m which are carried at amortised cost.

Note 21b: Reconciliation of asset held at level 3

	Value at 1 April 2025	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2026
	£m	£m	£m	£m	£m	£m
Equities	1.3	0	0	0	0	1.3
Government Bonds	0.7	0	0	0	0	0.7
Pooled Investment Vehicles						
- Pooled property funds	358.1	35.8	(39.1)	8.0	2.1	364.9
- Pooled private equity funds	390.8	48.3	(56.7)	26.4	2.5	411.3
- Pooled bond and debt funds	494.5	130.6	(104.4)	3.9	(18.3)	506.3
- Pooled commodity funds	17.9	3.2	(12.7)	(1.4)	1.9	8.9
- Pooled timberland funds	116.1	28.5	(0.5)	0	4.3	148.4
- Pooled Infrastructure funds	623.7	70.5	(15.3)	3.6	56.6	739.1
Properties	90.5	0	0	0	2.0	92.5
Total	**2,093.6**	**316.9**	**(228.7)**	**40.5**	**51.1**	**2,273.4**

	Value at 1 April 2024	Purchases	Sales	Realised gains / (losses)	Unrealised gains or (losses)	Value at 31 March 2025
	£m	£m	£m	£m	£m	£m
Equities	1.3	0	0	0	0	1.3
Government Bonds	0.7	0	0	0	0	0.7
Pooled Investment Vehicles						
- Pooled property funds	315.1	52.9	(26.7)	6.0	10.8	358.1
- Pooled private equity funds	410.9	33.3	(59.2)	22.2	(16.4)	390.8
- Pooled bond and debt funds	545.2	92.0	(135.2)	16.3	(23.8)	494.5
- Pooled commodity funds	21.9	16.2	(16.2)	(6.1)	2.1	17.9
- Pooled timberland funds	124.8	14.0	(8.9)	1.4	(15.2)	116.1
- Pooled Infrastructure funds	544.3	88.3	(30.7)	9.7	12.1	623.7
Properties	96.0	0	0	0	(5.5)	90.5
Total	**2,060.2**	**296.7**	**(276.9)**	**49.5**	**(35.9)**	**2,093.6**

Note 22: Classification of Financial Instruments

2024/25 £m Fair value through profit and loss	2024/25 £m Assets at amortised cost	2024/25 £m Liabilities at amortised cost		2025/26 £m Fair value through profit and loss	2025/26 £m Assets at amortised cost	2025/26 £m Liabilities at amortised cost
			Financial Assets			
47.5	0	0	Equities	56.5	0	0
54.5	0	0	Government Bonds	116.8	0	0
229.3	0	0	Index-linked securities	239.8	0	0
5,583.0	0	0	Pooled investment vehicles	6,372.8	0	0
1.0	0	0	Derivatives contracts	3.9	0	0
0	680.7	0	Cash and currency	0	617.1	0
0	1.1	0	Sundry debtors and prepayments	0	1.3	0
5,915.2	**681.8**	**0**		**6,789.7**	**618.4**	**0**
			Financial Liabilities			
(3.6)	0	0	Derivatives contracts	(14.1)	0	0
0	0	(10.1)	Sundry Creditors	0	0	(6.8)
(3.6)	**0**	**(10.1)**		**(14.1)**	**0**	**(6.8)**

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:

2024/25 £m		2025/26 £m
	Financial Assets	
200.8	Fair value through profit and loss	695.6
	Financial Liabilities	
(3.6)	Fair value through profit and loss	(14.1)
197.2	**Total**	**681.5**

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.

Note 23: External Audit Fee

2024/25 £		2025/26 £
98,470	Payable in respect of external audit	115,490
98,470	**Total** *	**115,490**

* 2025/26 £10,000 relating to the 2025 triennial valuation data testing (2024/25 £0)

Note 24: 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 2025/26 reporting period:

Asset type	Potential market movements (+/-)
Index Linked Gilts (medium)	7%
Fixed Interest Gilts (medium)	5%
Private equity	27%
Property	16%
Commodities	26%
Global Distressed Debt	13%
Emerging Markets Equity Unhedged	24%
Unlisted Infrastructure Equity	15%
Diversified Growth Fund (medium equity beta)	9%
Multi Asset Credit (sub inv grade)	6%
All World Equity GBP Unhedged	18%
Direct Lending (Private Debt) GBP Hedged	9%
Corporate Short AA Low	4%
Corporate Medium BBB	7%
Asia-Pacific Equity Hedged	21%
European Equity Hedged	18%
US Equity Hedged	18%
Japan Equity Hedged	21%
UK REITs GBP	23%

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 2026 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	19.0	0	19.0	19.0
Overseas equities	37.5	18	44.4	30.6
UK Corporate Bonds	0.7	7	0.7	0.7
Global Government Bonds	355.8	4	368.7	342.9
Pooled property funds	364.9	23	449.6	280.2
Pooled private equity funds	411.3	27	522.4	300.2
Pooled bond and debt funds	1,318.9	7	1,413.5	1,224.3
Pooled Protection funds	6.8	8	7.4	6.2
Pooled equity funds	3,224.8	18	3,814.9	2,634.7
Pooled commodity funds	8.9	26	11.2	6.6
Pooled targeted return funds	149.6	9	162.6	136.6
Pooled timberland fund	148.4	15	170.1	126.7
Pooled infrastructure fund	739.1	15	847.0	631.2
UK property	92.5	16	107.2	77.8
Cash and currency	617.1	0	619.0	615.2
Other investment balances, current assets and current liabilities	(9.0)	0	(9.0)	(9.0)
Total assets available to pay benefits	**7,486.3**		**8,548.6**	**6,424.0**

Asset Type	Value at 31 March 2025 £m	Percentage change %	Value on increase £m	Value on decrease £m
UK equities	17.1	18%	20.2	14.0
Overseas equities	30.4	18%	35.9	24.9
UK Corporate Bonds	0.7	7%	0.7	0.7
Global Government Bonds	283.1	7%	301.8	264.4
Pooled property funds	358.1	21%	433.3	282.9
Pooled private equity funds	390.8	27%	496.3	285.3
Pooled bond and debt funds	1,176.6	8%	1,266.1	1,087.1
Pooled Protection funds	9.9	9%	10.8	9.0
Pooled equity funds	2,758.1	18%	3,254.6	2,261.6
Pooled commodity funds	17.9	19%	21.3	14.5
Pooled targeted return funds	131.6	9%	143.4	119.8
Pooled timberland fund	116.1	15%	133.5	98.7
Pooled infrastructure fund	623.7	15%	717.3	530.1
UK property	90.5	15%	104.1	76.9
Cash and currency	680.7	0%	680.7	680.7
Other investment balances, current assets and current liabilities	(1.5)	0%	(1.5)	(1.5)
Total assets available to pay benefits	**6,683.8**		**7,618.6**	**5,749.1**

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 at 31 March 2026 and 31st March 2025 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

As at 31 March 2025 £m	Asset type	As at 31 March 2026 £m
680.7	Cash and Currency	617.1
283.1	Fixed Interest securities	355.8
963.8	**Total**	**972.9**

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.

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	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	617.1	617.1	617.1
Fixed interest securities	355.8	313.2	408.5
Total (as at 31 March 2026)	**972.9**	**930.3**	**1,025.6**
Cash and Currency	680.7	680.7	680.7
Fixed interest securities	283.1	245.1	326.1
Total (as at 31 March 2025)	**963.8**	**925.8**	**1,006.8**

Assets exposed to interest rate risk:

Exposure to interest rate risk	Interest receivable	Impact of increase	Impact of decrease
		+100 BPS	-100 BPS
	£m	£m	£m
Cash and Currency	25.4	31.9	18.9
Fixed interest securities	4.6	4.6	4.6
Total (2025/26)	**30.0**	**36.5**	**23.5**
Cash and Currency	26.2	32.2	20.2
Fixed interest securities	3.1	3.1	3.1
Total (2024/25)	**29.3**	**35.3**	**23.3**

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 30% of the Funds total foreign currency exposure back to sterling. The table below summarises the Fund's currency exposure if it was unhedged at 31 March 2026 and at 31 March 2025:

Asset value as at 31 March 2025 £m	Currency exposure – asset type	Asset value as at 31 March 2026 £m
30.4	Overseas equities	37.3
50.4	Overseas government bonds	71.3
957.3	Overseas pooled investment vehicles	1,062.1
51.1	Overseas cash and currency	28.8
1,089.2	**Total overseas assets**	**1,199.5**

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 6.8% (as measured by one standard deviation).

An 6.8% 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.

An 6.8% 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 2026	Change to net assets available to pay benefits	
		6.8%	-6.8%
	£m	£m	£m
Overseas equities	37.3	39.8	34.8
Overseas government bonds	71.3	76.2	66.4
Overseas pooled investment vehicles	1,062.1	1,134.4	989.8
Overseas cash and currency	28.8	30.8	26.8
Total change in assets available	**1,199.5**	**1,281.2**	**1,117.8**

Current exposure – asset type	Asset value as at 31 March 2025	Change to net assets available to pay benefits	
		6.3%	-6.3%
	£m	£m	£m
Overseas equities	30.4	32.3	28.5
Overseas government bonds	50.4	53.6	47.2
Overseas pooled investment vehicles	957.3	1,018.0	896.6
Overseas cash and currency	51.1	54.3	47.9
Total change in assets available	**1,089.2**	**1,158.2**	**1,020.2**

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 (Aegon Asset Management) lends cash directly to individual counterparties in the London money markets. Any cash held directly by the Fund is deposited in 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 31 March 2026 was £617.1m (31 March 2025: £680.7m).

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. At 31 March 2026 the value of illiquid assets (considered to be the Fund's investments in property, hedge funds, private equity, timberland and infrastructure) was £1.8bn, which represented 23% of total Fund assets (31 March 2025: £1.6bn, 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 31 March 2026 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 2026.

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.

Note 25: 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 £2.6m in relation to administration and management of the Fund, the full amount of which has been recharged to the Fund, and is recognised in the expenses outlined in Note 11 above. At the 31 March 2026 £2.6m of this was a creditor balance in the Fund accounts. Contributions of £79.2m were receivable from LCC during 2025/26 (£74.6m 2024/25) of which £5.9m was still outstanding at 31 March 2026 (£5.7m at 31 March 2025).

LGPS Central Ltd has been established to manage, on a pooled basis, investment assets of eight 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 2025/26 a total of £1.6m (£1.2m 2024/25) was payable to LGPS Central Ltd for governance, operator and product development fees. Of these £0.4m was a creditor balance at the year end. At 31 March 2026, £3.3bn of LCC LGPS investments were managed by LGPS Central Ltd (£2.8bn at 31 March 2025).

Note 26: 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 £3.1m, 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 March 2026, the Fund had the following contractual commitments: -

	31-Mar-25 £m	31-Mar-26 £m
Patria (formerly Aberdeen Standard Life Capital SOF III)	7.5	7.1
Adams Street Partners L.P.	125.6	94.8
Infracapital Greenfield Partners I Fund	0.7	3.4
M & G Debt Opportunities Funds IV	1.9	12.6
KKR Global Infrastructure	6.0	3.6
Stafford International Timberland & Carbon Offset Funds	38.3	34.9
LGPSC PE Primary Partnership 2018 LP	1.5	1.1
LGPSC Credit Partnership IV	47.1	22.5
LGPSC Credit Partnership II LP	83.0	65.9
LGPSC Credit Partnership I LP	27.7	31.4
LGPSC Core/Core Plus Infrastructure Partnership LP	96.4	158.6
LGPSC PE Primary Partnership 2021 LP	19.3	12.4
LGPSC PE Primary Partnership 2023 LP	73.7	60.6
LGPSC UK Direct Property	51.0	40.6
LGPSC Value Add /Opp Infrastructure Partnership	27.2	51.4
LGPSC Low Return 23/24	180.0	258.4
LGPSC Real assets 23/24	100.0	116.0
LGPSC Private Equity 2025	0	65.0
LGPSC Co-Investment Partnership 2025	0	13.6
CRC Capital Release Fund VI	32.0	0
Quinbrook Infrastructure Partners	30.9	6.2
Partners Group Multi Asset Credit VI and VII	9.5	4.0
Total	**959.5**	**1,064.2**

Note 26a: Key Management Personnel

The fund has identified the Director of Corporate Resources (LCC) and the Assistant Director of 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:

2024/25 £000s		2025/26 £000s
27.2	Short-term benefits	23.8
8.0	Pension contributions	7.0
35.2	**Total**	**30.8**

Note 27: Additional Voluntary Contributions (AVCs)

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 2025/26 £4.4m in contributions were paid to Prudential. The capital value of all AVCs at year end 31 March 2026 was £24.5m.

Note 28: 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. These Statements are:
Investment Strategy Statement, Administration and Communication Strategy, Funding Strategy Statement.

Note 29: 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 2025/26 (or 2024/25). 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 2025/26

23 June 2026

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2018. 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 April 2026.

In summary, the key funding principles are as follows to:

- 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
- 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 minimise long-term cash contributions from employers and meet the regulatory requirement for long-term cost efficiency
- 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 demonstrates that, if these contribution rates are paid and future contribution changes are constrained as set out in the FSS, there is at least an 80% 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 2025. This valuation revealed that the Fund’s assets, which at 31 March 2025 were valued at £6,698 million, were sufficient to meet 140% of the liabilities (i.e. the present value of promised retirement benefits) accrued up to that date. The resulting surplus at the 2025 valuation was £1,912 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 2026 to 31 March 2029 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 2025 valuation report.

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 2025 valuation were as follows:

Financial assumptions	31 March 2025
Discount rate	6.1%
Salary increase assumption	3.0%
Benefit increase assumption (CPI)	2.5%

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 2024 model, with core parameterisation, except for an initial addition 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	21.6 years	24.5 years
Future Pensioners*	22.3 years	25.7 years

**Aged 45 at the 2025 valuation.*

Copies of the 2025 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 2025

The increase in US tariffs on imports since March 2025 and the recent conflict in the Middle East have caused significant market volatility which feeds through to the investment returns achieved by the Fund's assets. The Fund's overall investment returns since March 2025 have been positive.

Observed inflation has been higher than anticipated over 2026, resulting in LGPS benefit increases of 3.8% in April 2026 and an increase in the value placed on the Fund's liabilities.

Overall, we estimate that the funding position is likely to be weaker than at the previous formal valuation at 31 March 2025.

The next actuarial valuation will be carried out as at 31 March 2028 and will be finalised by 31 March 2029. The Funding Strategy Statement will also be reviewed during the valuation, and a revised version will come into effect from 1 April 2029.

Prepared by:

Richard Warden FFA C.Act

14 May 2026

For and on behalf of Hymans Robertson LLP

Pension Fund Accounts Reporting Requirement

Introduction

CIPFA's Code of Practice on Local Authority Accounting 2025/26 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 2026	31 March 2025
Active members (£m)	2,034	2,222
Deferred members (£m)	982	903
Pensioners (£m)	2,444	1,963
Total (£m)	**5,460**	**5,088**

The promised retirement benefits at 31 March 2026 have been projected using a roll forward approximation from the latest formal funding valuation as at 31 March 2025. 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 2026 and 31 March 2025. I estimate that the impact of the change in financial assumptions to 31 March 2026 is to decrease the actuarial present value by £131m. I estimate that the impact of the change in demographic assumptions is to decrease the actuarial present value by £105m.

Financial assumptions

Year ended	31 March 2026	31 March 2025
	% p.a.	% p.a.
Pension Increase Rate (CPI)	3.00%	2.75%
Salary Increase Rate	3.50%	3.25%
Discount Rate	6.20%	5.80%

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 2025 model, with core parameterisation, 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	21.7 years	24.6 years
Future pensioners (assumed to be aged 45 at the latest valuation date)	22.5 years	25.8 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 2026	Approximate % increase to promised retirement benefits	Approximate monetary amount (£m)
0.1% p.a. decrease in the Discount Rate	2%	92
1 year increase in member life expectancy	4%	218
0.1% p.a. increase in the Salary Increase Rate	0%	4
0.1% p.a. increase in the Rate of CPI Inflation	2%	88

Professional notes

This paper accompanies the 'Accounting Covering Report – 31 March 2026' 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:-

Tom Hoare FFA
LGPS Actuary

1 May 2026
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.

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 at 31 March 2026 and its income and expenditure for the year ended the same date.

DECLAN KEEGAN
DIRECTOR OF CORPORATE RESOURCES
30 JUNE 2026

Audit Opinion (To Follow)

Independent auditor's report to the members of Leicestershire County Council

To Follow

Independent auditor's report to the members of Leicestershire County Council on the pension fund financial statements of Leicestershire County Council Pension Fund

To Follow

Provisional Draft Annual Governance Statement (AGS) 2025-26

1. Introduction

Leicestershire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulations 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, effectively and transparently. 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 (the Regulations) 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 (the Framework), fulfils the statutory requirement of the 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.

The AGS 2025-26 will be published with the Statement of Accounts 2025-26.

2. What is Corporate Governance?

Corporate governance is how organisations ensure they act correctly, transparently, and accountably for the right people. The Council's governance framework includes its systems, processes, culture, 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 Framework 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 Local Code of Corporate Governance can be found on the LCC internet.

3. Leicestershire's Vision and Outcomes

The County Council's Annual Delivery Report and Performance Compendium 2025, approved by the Council on 3 December 2025, form part of the policy framework. The documents provide performance data which helps the Council and its partners ensure services meet standards, deliver value for money, and achieve outcomes for local people.

It is good practice to review year-end progress, benchmark against other authorities, and publish transparent, scrutinised performance reports. The Annual Delivery Report outlines progress against plans, achievements over the previous 12 months, and performance against priorities as set out in the Strategic Plan 2022–26, including financial sustainability and 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 Council on 18 May 2022 was refreshed for the 2024–26 period.

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[1] 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 2025-26 AGS has been constructed by undertaking: -

- A review of the effectiveness of the Council's system of internal control.
- Reviewing other forms of assurance.
- Action taken on significant governance issues reported in the 2024-25 AGS.
- A consideration of any significant governance issues arising during 2025-26.
- Future challenges.
- Action to develop areas further.

5. Review of Effectiveness of the System of Internal Control

To ensure the 2025-26 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. Responses were accumulated to provide a high-level overview found in the Annex.

A senior officers group met on 3 June 2026 to review the compilation of the AGS. The group comprises:

- Chief Legal Officer & Monitoring Officer (the Council's Statutory Monitoring Officer)
- Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
- Head of Governance and Strategy Assistant Chief Executive
- Assistant Director - Finance, Transformation and Commissioning
- Assistant Director - People, Property & Business Services
- Head of Internal Audit & Assurance Service

The group has previously determined that progressing areas identified for development should be the responsibility of designated Directors and Heads of Service during 2026-27. 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 2025-26 or reported through the Corporate Risk Register process will continue to be monitored.

6. 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.

The Control Environment of Leicestershire County Council

The Council's Constitution includes Finance and Contract Procedure Rules, and 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) advises the Corporate Management Team on governance and leads the Internal Audit Service to meet organisational and stakeholder needs, providing assurance on the Council's governance, risk management and control and escalating concerns where necessary.

The HoIAS ensured that internal audit arrangements conformed to the requirements of the Global Internal Audit Standards in the UK Public Sector (including the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit in Local Government. The conformance exercise took account of improvements suggested following an external quality assessment in Spring 2024.

An Internal Audit Charter (revised November 2025) defines the purpose, mandate, authority, and responsibilities of internal audit, including oversight of the Council's risk management framework. Whilst this does present a potential impairment to independence and objectivity, the HoIAS arranges for any risk management reviews to be overseen by someone outside of the internal audit activity.

The HoIAS has to meet a GIAS UK (public sector) requirement to prepare at the organisation level an overall conclusion encompassing governance, risk management and control at least annually in support of wider governance reporting, mindful of any specific sector obligations or processes. To do this, the HoIAS arranges a risk-based plan of audits. The combined assessment of individual audit conclusions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other external assurance provided), facilitate the HoIAS in forming the annual internal audit conclusion.

The HoIAS presented his annual report to Corporate Governance Committee in June 2026, and his opinion read: -

Conclusion - Reasonable assurance is given that the Council's governance, risk management and control has remained overall adequate and effective during 2025-26.

Reasonable assurance is a positive statement. It reflects the understanding that internal controls can reduce risks to an acceptable level but cannot eliminate all risk.

Rationale - The HoIAS considers there was sufficient input by LCCIAS across the control environment to be able to give a full opinion. Assurance continued to be supplemented by good relationships with senior management, transparency over reporting significant governance issues in the draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Currently, eight audits (from 61 completed) either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. There was a small increase in the number of reactive investigations which LCCIAS either supported/advised on or led. Whilst these could indicate a weakening control environment, management has continued to accept and respond positively and strongly to LCCIAS recommendations.

Nottingham City Internal Audit completed all four of its planned audits of EMSS main financial systems and gave an overall very positive conclusion.

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.

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 2026. An internal audit of the Council's risk management reported substantial assurance with some moderate control improvements required but core risk management processes are in place. An independent review of the framework is to be scheduled with the Council's insurers.

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 have responsibility for scrutiny of a particular service area of the Council.

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 summarised the work undertaken during 2025-26 will be presented to the County Council in July 2026.

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. Terms of reference for the Committee were revised in December 2024 (next due June 2026) and have been categorised to more clearly set out the varied roles and functions of the Committee.

In accordance with CIPFA best practice guidance and following the approval of the County Council in July 2023, two Independent Members are appointed to the Committee. Independent Members are non-elected representatives and as such do not have voting rights but are part of the Committee in an advisory and consultative capacity. Of the 5 committees held in 2025-26 there was only 1 meeting where at least one of the Independent Members did not attend.

An annual report which summarises the key business considered by the Committee during 2025-26 was presented at the meeting on 26 June 2026 and will be presented to County Council in July 2026.

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. At its meeting of 24 November 2025, a report 'Complaints Received Under the Members' Code of Conduct' which covered the period 1 October 2024 to 1 October 2025.

During that period there were 34 complaints received by the Monitoring Officer under the Members' Code of Conduct. These complaints were resolved as set out below:

- 2 complaints withdrawn / not progressed by complainant;
- 5 complaints did not meet threshold for further investigation;
- 5 complaints resolved informally;
- 10 complaints considered by Member conduct panel
    - 1 Not upheld
    - 9 informal action recommended
- 12 complaints ongoing.

Since 1st October 2025 until 31st March 2026 there were 76 complaints received by the Monitoring Officer under the Members' Code of Conduct. These complaints were resolved/were ongoing as at 31st March 2026 as set out below:

- 3 complaints withdrawn / not progressed by complainant;
- 38 complaints did not meet threshold for further investigation;
- 2 complaints resolved informally;
- 14 complaints have been considered by Member Conduct Panel - 12 were referred by the MCP for formal investigation (in progress);
- 0 Not upheld;
- 2 informal action recommended;

- 19 complaints under initial assessment.

(*) As from May 2026, the new Constitution & Ethics Committee will take on the oversight of ethical standards and member conduct complaints and will receive the Monitoring Officer's report on complaints at each meeting.

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.

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.

The Code does not specify the frequency, or the financial year compliance should be reported. The latest self-assessment was undertaken as of 1 May 2026, based on the latest MTFS and position at that time. The Internal Audit Service undertook a high-level review of the 2026-27 self-assessment against the Code, and a copy of the assessment was reported to the Corporate Governance Committee on 26 June 2026. Progress against areas for improvement is monitored by the Assistant Director (Finance, Transformation & Commissioning).

Local (External) Audit

The Council's local (external) auditors, Grant Thornton LLP, presented the final findings from their planned audit work 2024-25 to 'those charged with governance' at the Corporate Governance Committee on 23 January 2026.

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 four areas. These were financial sustainability; governance; improving economy, efficiency, and effectiveness and the opinion on the financial statements. Overall, the auditor's report was positive. The external auditor concluded that the Council has a good track record of sound financial management, had strong arrangements in place to manage the financial resilience risks, has a clear and documented governance framework in place that ensures all relevant information is provided and challenged before all major decisions are made. One significant weakness was reported in respect of the Dedicated Schools Grant deficit. Two improvement recommendations were also made. An action plan tracker has been devised and is being monitored and is reported to the Corporate Governance Committee with the Financial Management Code report.

Opinion on the Financial Statements

The auditor gave an 'unqualified' opinion on the 2024-25 financial statements for the County Council and its Pension Fund on 23 January 2026 meaning that the external auditor is satisfied that the financial statements present a true and fair view.

Annual Audit Plan for the 2025-26 Accounts

The External Audit Plan and Informing the Audit Risk Assessment was reported to Corporate Governance Committee at its meeting on 27 March 2026.

The Monitoring Officer

The Chief Legal Officer & Monitoring Officer undertakes the statutory role of Monitoring Officer (MO) for the Council and is a member of the Corporate Management Team. 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 three Deputy Monitoring Officers who are officers within the Legal and Democratic Services Teams.

Senior Information Risk Owner

The position of a SIRO is a requirement under the Data Security and Protection Toolkit. The Assistant Director People, Property and Business Services holds the position of the SIRO for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk. 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;
- managing any escalated risks that have been raised by information owners, Information Governance Team, Audit etc;
- acting as a champion on information risk and report to CMT 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 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 Bodies Governance Arrangements

Commercial

ESPO is constituted as a joint committee of six local authorities providing professional purchasing services to the public sector. It is governed by a Management Committee with strategic oversight. In March 2023, updated Terms of Reference gave the Finance and Audit Subcommittee delegated authority over internal and external audit, risk management, and the Annual Governance Statement. Internal audit is delivered by the Council's Internal Audit & Assurance Service as part of a servicing agreement. At the time of publishing this provisional draft AGS the annual internal audit opinion for 2025-26 has not been written.

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 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. The incorporation of Eduzone into ESPO Trading Limited was completed in March 2026.

The **Investing in Leicestershire Programme (IILP)** guides Council investments in assets not directly used for services but supporting the Strategic Plan and generating returns. Financial performance is reported quarterly, and the 2024–25 Annual Performance Report was reviewed by Scrutiny (8 September 2025) and Cabinet (28 October 2025). The Strategy is considered alongside the MTFS. In line with the CIPFA Prudential Code, investments must primarily support Council functions, with any returns incidental or linked to project viability, focusing on service delivery, housing, and regeneration within the Council's area. Some investments are managed through Treasury Management to ensure diversification beyond local property assets.

Leicestershire Traded Services (LTS), within Corporate Resources, is reported on quarterly alongside departmental performance and reviewed by member bodies. The 2024–25 Annual Report was considered by the Scrutiny Commission on 10 November 2025, with additional briefings provided. In July 2025, Cabinet approved closing the School Food Service from July 2026.

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 Leader and the Cabinet Lead Member for Finance and Resources are the Council's elected representatives on the Committee. The Assistant Director (Finance, Transformation and Commissioning) is the Council's officer representative.

Internal audit of EMSS is delivered by Nottingham City Council (NCCIA). Its 2024–25 annual report, presented on 19 September 2025, concluded a "moderate" level of assurance with no significant issues identified.

Following a period of staffing challenges experienced from 2023, NCCIA appointed a new Head of Internal Audit and Audit Manager in January 2026. For 2025–26, the Head of Internal Audit concluded that EMSS has a "significant" level of assurance, with governance, risk management, and internal controls generally operating effectively.

Local Pension Fund

Leicestershire County Council, as scheme manager under the Public Service Pensions Act 2013, delegates investment decisions to the Local Pension Committee, comprising councillors, a university representative, and non-voting employee representatives. The Committee safeguards member interests, oversees investments and liabilities, and updated its Terms of Reference in June 2025.

In 2025–26, the triennial valuation (with Hymans Robertson) confirmed a 140% funding level and set new employer contributions from April 2026. The Committee also approved an updated Funding Strategy Statement.

A Local Pension Board supports compliance and governance, with revised Terms of Reference approved in February 2025, while the Council retains overall responsibility.

A Pension Fund Training Strategy, approved in March 2026, ensures members and officers receive extensive training on their knowledge, duties and responsibilities which is monitored via training logs, annual assessments, and reporting to the Committee and Board.

Local Government Pension Scheme (LGPS) - Central Pool

LGPS Central Limited, established by eight LGPS funds including Leicestershire, has operated since April 2018 as an FCA regulated asset manager, using pooled investment to reduce costs and improve returns. Governance is through the Shareholders' Forum, representing ownership interests, and the Joint Committee, advising on investor matters.

Following the May 2025 Fit for the Future response, mandatory asset pooling and stronger governance are being implemented. From April 2026, Central manages around £100bn for 14 funds. Updated governance and agreements are in place, with transitional arrangements until a new model is introduced in autumn 2026. The Fund will continue working with Central and partners to implement these changes and protect member interests.

Pensions internal audit arrangements

An update on Internal Audit was presented to the Local Pension Board in April 2026, summarising 2025-26 work, the 2026-27 plan, and developments in UK Public Sector audit standards.

The eight LGPS owners' Internal Audit Working Group has completed its first four-year programme and refreshed plans for 2023-24–2027-28. Future audit plans and the IAWG's role remain under review pending the Government's Fit for the Future programme.

Active Together

The Director of Public Health represents the Council and is an advisor to 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 are a number of subgroups (drawn from the Board and co-opted others) to provide additional scrutiny of areas of the business.

One of those sub-groups is 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 Business & Skills Partnership

Leicestershire County Council and Leicester City Council jointly lead business engagement and economic development following the end of LEPs. A Business Board, chaired by a private sector representative, advises the City Mayor and County Leader, supported by a City Council-hosted executive team.

Since April 2024, transition arrangements have been in place, with LLEP Ltd retained to manage existing agreements. A new Board of senior officers from both councils replaced former LEP directors to meet ongoing legal obligations.

Integrated Care Systems (ICS)

The Integrated Care Board (ICB) is a statutory NHS organisation responsible for planning, commissioning and overseeing NHS services in its area. The ICB is part of an integrated Care System (ICS) with partners across Leicester, Leicestershire and Rutland (LLR) that aims to deliver a health and care system approach that tackles inequalities in health, deliver improvements to the health and wellbeing and experience of local people and provides value for money. The LLR ICB is now part of a 'clustered' arrangement alongside Northants ICB. The two organisations have separate accounts but share a single management structure. The ICS footprint now also includes Northamptonshire NHS providers and the two Northants upper tier authorities.

The Director of Public Health represents the upper tier authorities in Leicester, Leicestershire and Rutland on the ICB board.

Leicestershire Health and Wellbeing Board

The Health and Wellbeing Board brings together key local partners to improve health, wellbeing and reduce inequalities. Chaired by the Council's Cabinet Lead for Health, it includes representatives from the NHS, police, district councils, voluntary sector and senior Council officers.

It leads work by identifying needs through the JSNA, setting strategy, coordinating services, engaging communities, overseeing integration of health and care, and approving the Better Care Fund (BCF). The BCF is reported quarterly and annually to national bodies, with plans subject to assurance processes.

The 2025-26 BCF Policy Framework was published in January 2025 and updated in March 2025
The completed year end BCF 2024-25 template, which demonstrates progress against integration priorities and BCF delivery, reported to the Health and Wellbeing Board at its meeting on 29 May 2025, where the Board was asked to approve it for the NHS England submission deadline of 6 June 2025. 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).

East Midlands Freeport

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. The County Council (which is the accountable body) has participated in a governance assurance reviews with MHCLG officials, with satisfactory outcomes.

The Council has acted as the accountable body for EMF since its establishment in 2021, but the Government has now asked for that responsibility to be transferred to the 'East Midlands Combined County Authority'. Discussions with the Combined Authority and EMF to enable this are ongoing with the transfer to be completed imminently.

7. Significant Governance Issues & Action Taken on Those Previously Reported

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 2022-23 final AGS are detailed below:

Issue Area for Improvement (AGS) 2023-24	Lead Officer and Date	Progress during 2024-25	Progress during 2025-26
Environment & Transport Department During 2023–24, several investigations into working arrangements in the Highway & Transport Branch were completed. Recommendations from the investigations were accepted by management, which are now incorporated into a consolidated action plan. An	**Director of Environment & Transportation** December 2024	January 2025 – the Department reported good progress against implementing actions. November 2025 - The HoIAS will review the implementation of actions and revised governance arrangements by the end of December.	Assurance was received that the outstanding actions have been addressed and the next steps have been delivered. The Department is committed to ongoing improvement, so some of the actions and next steps are already evolving as it continues to develop its approach. The service is actively working towards further enhancements,

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Assisted Transport Improvement Board, chaired by the Director and comprising senior representatives from key services, has been established to oversee changes required. Longer-term, complex improvements will continue to be overseen by the Assisted Transport Programme Delivery Board.			ensuring it stays ahead and adapts to changing needs. The Assisted Transport Programme has driven substantial improvements for service users and the team, as well as delivered significant savings. The Department has a clear plan for future improvements, although continued support from the authority will be essential to achieve goals.
Capital Programme The Council manages several large, complex capital projects with significant financial and procurement risks, exacerbated by ongoing inflation. Its risk management approach will be reviewed to ensure risks are addressed early and appropriate contingencies are in place.	**Director of Corporate Resources** October 2024	Building on this work, the Council is focusing on strengthening programme-wide risk management across its diverse and growing capital programme. As the programme expands, following the award of Local Transport Grant, priority will be given to proactive risk management, clear roles & responsibilities, and auditable decision-making, using lessons learned and established tools and templates.	Work is ongoing to embed the recommendations from the lessons learned review and ensure a consistent corporate approach to large capital schemes. A toolkit is now in place to inform decision making. The Capital Programme Board is being refreshed, and this board will continue to monitor improvements.

Issue Area for Improvement (AGS) 2024-25	Lead Officer and Date	Progress during 2024-25	Progress during 2025-26
Education, Health, and Care Plans Identified in the Auditor's Annual Report 2022-23 as an area requiring improvement - timeliness of EHCP had fallen well short of the 20-week expected timescale for completion.	Director of Children & Family Services Ongoing	A recovery plan is in place to restore timeliness to the 20-week target. Performance has improved, reaching 14% within timeframe by September 2025 (Jan–Sept cumulative), with average completion reduced to 24 weeks (from 62.5 weeks in Dec 2024). Compliance is expected within the next three months.	Timeliness has now been under 20 weeks since December 2025. The average time to issue is now consistently at 17weeks. This is despite significant increases in Education Health and Needs Assessment requests demonstrating a sustainable approach to ensure timeliness remains compliant with the statutory timeframes.
Procurement Identified in the Auditor's Annual Report (AAR) 2023-24 as an Area for Improvement under improving economy, efficiency, and effectiveness - Work needs to continue to reduce the number of	Assistant Director (Finance, Transformation and Commissioning), Corporate Resources Department	The Council established a Corporate Procurement Board in January 2024 to approve exceptions and certain contract extensions. Improved procurement planning, alongside training and better tools, has reduced	Further improvement in 2025/26 with 27 exemptions being required. Corporate Procurement Board remains in place and meets fortnightly to review requests for new procurements, extensions, exceptions and to review

contract exceptions and extensions that are approved.	ongoing	exceptions from 116 in 2023–24 to 104 in 2024–25, and to 17 in the first half of 2025/26.	departmental pipelines. Grant Thornton has requested that exceptions are reported to Corporate Governance more frequently and this is being considered for 2026/27.
Care Quality Commission Assessment Between September 2024 and February 2025, the Care Quality Commission (CQC) undertook an assessment of how well the County Council meets its duties under Part 1 of the Care Act 2014. The CQC judged the Council as, 'Requires improvement', noting, "Overall, we heard mixed feedback from people about their experiences of contact and support from the local authority and many people said their care and support had improved their independence."	Director of Adults & Communities Actions scheduled to be delivered between December 2025 and November 2026	The Council is developing a fully costed improvement plan to address the areas of improvement highlighted from the Assessment which include timeliness of assessments, support for informal carers, access to information and advice, and ensuring adequate provision of services. Progress against the plan will be reported to the Adult and Communities Overview and Scrutiny Committee. A further Assessment will be carried out within the next 12 -24 months. Failure to improve could result in statutory intervention.	The Council has made strong progress delivering its Improvement Plan, supported by improved governance and oversight. Waiting times and backlogs for assessments have reduced, with fewer people exceeding target timescales. Additional staffing has boosted capacity in locality and carers' services, helping deliver more timely support. Access to information, advice, and communication is improving, while commissioning work is expanding service availability, including new day services and more extra care and supported living options. Enhanced use of dashboards for areas like safeguarding and assessment waits is strengthening oversight, alongside robust programme management and ongoing scrutiny to ensure sustained improvement.
High Needs Block Deficit Identified in the Auditor's Annual Report (AAR) 2024-25 was a key recommendation "The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools." .	Director of Children & Family Services Ongoing, further mitigations to be built into 2026-27 budget.	The Council is focused on implementing further mitigations to reduce demand for EHCP's and the unit cost of providing them, alongside delivering current TSIL programme savings. The further mitigations include mainstream inclusion initiatives to reduce reliance on ISP's, policy and commissioning reviews and accelerating provision of new special school places. The issue cannot be fully resolved by the Council alone, and the governments delayed SEND White Paper will be fundamental to the long-term sustainability of SEND	The TSIL programme achieved its planned savings; however, the release of the SEND White Paper has increased anxiety among parents/carers, driving more EHC assessments and requests for specialist in-year moves. As a result, the High Needs deficit is forecast to rise from £64.4m (2024/25) to £99.1m (2025/26). The DfE has announced measures to address deficits, including potential 90% repayment, though details are still pending. Senior leaders continue to scrutinise high-cost placements and expand maintained specialist provision. Ongoing work under the White Paper aims to prioritise a mainstream-first

			approach to support long-term financial sustainability.

8. Significant Governance Issues Arising During 2025-26

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 (see Annex), it is important to recognise that there are two significant matters set out in the table below.

Significant Governance Issue 2025-26	Lead Officer and Date
Members Code of Conduct issues During 2025/26, member conduct was identified as a significant governance issue. While a framework exists to uphold high standards, the volume and nature of complaints—particularly involving public interactions and social media—highlighted the need for stronger focus on behaviour, leadership, and organisational culture. These matters impact public confidence, the Council's reputation, and left unchecked would impact governance effectiveness. Formal arrangements are in place for dealing with complaints under the Members' Code of Conduct, including the Monitoring Officer working with the Council's Independent Persons and Member Conduct Panel to process complaints, with oversight from the Corporate Governance Committee and supporting training and guidance. However, the issues seen this year show that processes alone are insufficient without clear leadership, consistent expectations, and timely intervention. In 2026/27, the Council will prioritise strengthening standards through training, guidance, and member support, alongside reviewing existing arrangements. Responsibility for oversight will transfer to a new Constitution and Ethics Committee, supported by constitutional changes and updates to the Member–Officer Relations Protocol agreed in May 2026, reinforcing expectations of professionalism and leadership in conduct.	Chief Legal Officer & Monitoring Officer October 2026
Deficit Schools Balance As at 31/3/2026, there was a net deficit for maintained schools of £3.6m. The budget submissions for 2026/27 are expected to show that the majority of the 65 maintained schools will need to apply for a deficit license for the next 3-5 years. Some schools may not be able to achieve a balanced budget within this timeframe. Internal Audit issued a High Importance recommendation in May 2026 follow an audit of schools' budgets during 2025/26. A number of actions are already being put in place: • Dedicated Schools Sustainability workstream established; • External support being commissioned to review 2026/27 budget submissions; • Deficit budget policy published and being implemented; • School Places Strategy being followed; • Reporting mechanism to Schools Forum in place.	Director of Children and Family Services October 2026

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 2025-26, 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 will be updated in line with the Code of Practice.

9. Future Challenges

Significant challenges faced by the Council 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 26 June 2026.

Additional challenges continue to emerge, and key areas in particular are:

Transitioning to a new County Council administration

The outcome of the County Council elections which took place on 1 May 2025 was that the Reform UK party emerged as the largest party on the council although it fell 3 seats short of an overall majority and as such a minority administration position emerged. Whilst this is not a new feature of local government, following a long period of comparative stability at Leicestershire almost one third of experienced council members did not seek re-election and of the fifty-five total members almost two thirds are new, with many of those having no previous experience of local government. Therefore, it is inevitable that new officer/member relationships have needed to be built with significant new member induction across all parties undertaken to enable a constructive transition to a council that continues to operate effectively.

In the Auditor's Annual Report for 2024-25, Grant Thornton reported it had been made aware of issues relating to the conduct of a small number of new Members, leading to several complaints being received. Conduct issues are being managed internally, with the Monitoring Officer working with the council's six appointed Independent Persons and the Member Conduct Panel to process and determine complaints and bring learning points on issues such as social media usage back to the political groups. The Council already provides extensive training and ongoing support for Members, including on the Members Code of Conduct, the Seven Principles of Public Life (Nolan Principles) and the Council's social media policy and will continue to identify training and development needs in this area and work with political group leaders in relation to specific conduct issues. A strengthened Protocol on Member Officer Relations was adopted by Full Council in May 2026 which highlights the role of political group leader and senior officers to promote a culture of constructive working relationships and mutual respect:

"Senior members, including the Leader and Group Leaders, and senior officers, including the Chief Executive and Directors, are expected to actively model the behaviours and standards set out in this protocol. Through their conduct, they have a key role in reinforcing clear roles, mutual respect and constructive working relationships, and in promoting a culture where this protocol is understood and applied in practice."

The introduction of a dedicated Constitution & Ethics Committee for the new municipal year aims to strengthen the profile and oversight of councillor conduct and ethical behaviour. Nationally the Government will be introducing reforms to strengthen the standards and conduct framework, and the council will continue to review its processes to respond to these reforms in due course.

Local Government Reorganisation

In February 2025, the Minister of State for Local Government and English Devolution set out the formal invitation to the County Council (and all local authorities in two-tier areas and neighbouring unitary authorities) to develop a proposal for local government reorganisation which required interim plans to be submitted to the Government by 21 March 2025. The Council submitted its interim plan for reorganisation and other proposals were sent to the government by Leicester City Council and Leicestershire's district councils in conjunction with Rutland County Council. The government has provided initial feedback on the interim plans so that final proposals can be worked on and submitted by the end of November 2025. In November 2025, the Council submitted its business case for

Local Government Reorganisation. After a period of statutory consultation, the Council is now awaiting the outcome of the Minister's decision on a preferred model for LGR, which is due in July 2026. Following on from this there will be an expectation of interim democratic governance and formal project governance, with a preparation for Joint Committees and Shadow Authority elections in 2027 required. Regardless of the outcome of the government's decision and its preferred way forward, there will follow a period of intensive work and demand on internal resources and short-term uncertainty and instability which will require mitigation.

Financial Sustainability

The Council's financial position is extremely challenging, with a budget gap in the region of £85m forecast in the Medium-Term Financial Strategy by 2029/30 as well as a High Needs Deficit of almost £100m at the end of 25/26. This is a challenge shared by the local government sector, with continued inflationary pressures, rising demand and funding uncertainty creating a complex and difficult financial landscape. The outcome of the Fair Funding review was not as positive as the Council expected, although the multi-year settlement from 2026/27 does provide some level of certainty. The government has announced some financial support towards High Needs Deficits as of 31st March, but the mechanism to calculate the funding is still to be confirmed. Deficits will continue to accrue from April 2026, and the government have not confirmed if further funding will be made available. Responsibility for funding High Needs will transfer to the DfE from 1st April 2028. Government support for High Needs Deficits will be positive for the MTFS, but the Council awaits further details, particularly in relation to support from April 2026.

The Council has a prudent level of reserves that provide some level of assurance over financial sustainability, and a corporate Strategic Change Programme which identifies and manages the delivery of a wide-ranging savings programme. The Council has been undertaking an Efficiency Review during 2025/26 to ensure it has an adequate pipeline of savings and service improvements to help meet the financial challenge. This has resulted in a revised Transformation Programme to replace the current Strategic Change programme and has identified potential savings of £27m over the life of the MTFS, in addition to existing savings initiatives.

Covid-19 Public Inquiry

Information was provided to the Inquiry at the request of the Chair (through the LGA) in relation to the Module 1 (Preparedness and Resilience). The Report from the first module was published in July 2024 but did not reference the council's response. Information was also provided following a formal direction for evidence in Module 5 (Procurement) concerning the procurement and purchasing of PPE and Module 8 (the impact of the Covid-19 pandemic on children and young people). The Council also had engagement with the Inquiry team in relation to Module 7 (Test trace and isolation rules).

The UK Covid-19 Inquiry has not issued findings directly penalizing or investigating Leicestershire County Council itself. Instead, the inquiry's completed and ongoing reports (including Modules 2 and 3) focus on national political governance, emergency systems, and healthcare, concluding that the UK government failed citizens with "serious errors".

While the county council isn't the subject of a punitive ruling, the inquiry made sweeping recommendations for the future that heavily impact local authorities like Leicestershire:

Stronger Resilience: The inquiry recommends a stronger partnership between central and local government and sustained long-term investment in local infrastructure and public health.

Data Sharing & Vulnerable Groups: Better data collection and information sharing to identify individuals at high risk during future crises.

Pandemic Preparedness: The requirement for UK-wide pandemic response exercises to test local and national responses every three years.

Local Context & Impact
Historically, Leicester and its surrounding county were among the hardest hit in the country, experiencing

extended localized lockdowns. A separate government-commissioned review highlighted that Leicester City Council and Leicestershire County Council successfully collaborated to proactively share localized outbreak learning with other authorities across the UK.

CONTEST Strategy

The Council continues to play and active part in established multi-agency partnership arrangements to meet its ‘Prevent’ and ‘Protect’ (Martyn’s Law) duties under ‘CONTEST’ (the Government’s Counter-terrorism strategy). The Terrorism (Protection of Premises) Act 2025, also known as Martyn’s Law, received Royal Assent on Thursday 3 April 2025. Guidance is still awaited to fully understand the requirements set out in the legislation. In anticipation a council wide working group has been established to oversee implementation.

Artificial Intelligence and cyber security

Artificial Intelligence (AI) has the potential to transform various aspects of public sector, such as healthcare, education, security, and transportation, by enhancing efficiency, quality, accessibility, and innovation. However, AI also poses significant risks and challenges, such as ethical, legal, social, and economic implications, which needs to be carefully addressed and regulated. Central Government has recognised the potential risks and opportunities surrounding AI. The National AI Strategy outlines the government's commitment to supporting the development and adoption of AI technologies across various sectors, including the public sector. Central government also provides a number of tools, such as the Generative AI Framework to inform and support local government implementations of AI. The NCSC (National Cyber Security Centre) provides guidance to help ensure any systems implemented are secure. The Council will continue its research and development of AI and fully debate and understand the risks and challenges.

The impact of a cyber/ransomware attack or IT system breach could be significant and will have varied effects on the organisation and its ability to provide critical/statutory services. To minimise the impact of such incidents, investment will need to continue to be made in the implementation of enterprise standard security systems, to further enhance our security posture and continue the journey to adopt greater defence in depth. Coupled with these technical defences, the Council will need to ensure it has robust business continuity and supporting disaster recovery plans, which are in place and regularly tested. Cyber security risk is included in the Corporate Risk Register with regular updates provided to members.

Procurement Regulations 2024

After much delay, large scale procurement reform was introduced on 24 February 2025. The Procurement Act replaced the Public Contract Regulations 2015. Implementation of the Act will significantly revise historical procurement rules.

All staff that are budget holders, or are involved in procuring goods or services, need to be aware of the regulations. The Commissioning Support Unit and Legal Services have created a set of rules, guidelines etc., amending the Contract procedure rules to reflect the new legislation. Guidance is available to cover the transition to the new regulations, and a comprehensive programme of learning and development to support the implementation of the changes. Further changes will be required as more intelligence is gained on the application of the Act.

Expected Service and National Reforms

Adult Social Care

- An adult social care sector pay agreement which would see pay increasing above national minimum wage levels.
- Baroness Casey independent commission into adult social care commencing in 2025. This will be a two-stage review with stage one reporting in 2026 and stage two reporting in 2028. The first phase will consider current and medium-term reform and recommendations within the current financial spending envelope.

Phase two will consider longer term recommendations on the future of Adult Social Care delivery and funding models.

- The Casey Commission will inform the development of a national care service framework with new standards and responsibilities for councils.
- Mental Health Bill which has additional duties and responsibilities for local authorities.
- In June 2026, the Supreme Court in A Reference by the Attorney General for Northern Ireland [2026] UKSC 16 significantly reformed the legal framework for deprivation of liberty, overturning its 2014 decision in Cheshire West. The Court held that the previous “acid test” (continuous supervision and control and not free to leave) was overly rigid and inconsistent with European Convention on Human Rights jurisprudence, replacing it with a fact-sensitive, multi-factorial assessment of an individual’s circumstances. Crucially, the judgment recognises that individuals who lack capacity to decide on their care arrangements may nonetheless be capable of giving valid consent through the expression of their wishes and feelings, meaning that some care arrangements may fall outside Article 5 safeguards altogether. This decision is expected to have wide-ranging implications for adult social care practice, including potential reductions in Deprivation of Liberty Safeguards (DoLS) authorisations, but also introduces legal and operational uncertainty pending further national guidance and potential legislative reform.

Children & Family Services

- SEND - Details of the government’s intended approach to SEND reform were published in February 2026 and the national consultation has now closed. Local Authorities are now working on the implementation of the proposals, with each LA required to submit a SEND Reform Plan in June 2026.
- The Children’s Wellbeing and Schools Bill – aims to break the link between young people’s background and their future success. It will put in place a package of support to drive high and rising standards throughout the education and care systems so that every child can achieve and thrive.

Employment Rights Act 2025 - mandates wide-ranging changes to employment rights through 28 individual employment reforms, including:

- the removal of the two-year qualifying period for unfair dismissal protection. This will take effect from 1 January 2027, all employees with 6 months service or more will acquire the right not to be unfairly dismissed from employment on ‘ordinary’ grounds such as conduct or capability.
- ending “exploitative” zero hours contracts, government are yet to release details.
- amending the current thresholds for collective redundancy consultation. Secondary legislation confirming the threshold has not yet been released.
- amending the flexible working regime, expected to take effect from 2027.
- amending statutory sick pay eligibility requirements, takes effect from 6 April 2026.
- From October 2026, amending the employer’s duty to prevent sexual harassment and third-party harassment in the workplace.
- extending the time limits for bringing Employment Tribunal claims from three months to six months.

Waste Reforms

- Significant waste reforms being implemented by Government over the coming years including Collections and Packaging Reforms and Emissions Trading Scheme to cover energy from waste will have additional duties, responsibilities, and costs for local authorities.

10. Certification

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.

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, we are confident that the Council is well placed to meet these challenges.

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Jane Moore Chief Executive	Dan Harrison Leader of the Council

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 collectability, 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, vehicles and computer equipment.

CAPITAL RECEIPTS
Income from the sale of capital assets e.g., sale of property, plant and equipment. Such income may only be used to repay loan debt or to finance new capital expenditure.

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.

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 are 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 and business rates from the collection funds of the district 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.

REMUNERATION
All sums paid to an employee, including expenses, allowances, and redundancy payments subject 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 EXPENDITURE
Expenditure that the Authority incurs on the day to day running costs of its services including salaries and wages, running expenses of premises and vehicles as well as the annual payment of capital charges. The expenditure is financed from charges for services, government grants and income from Council Tax and National Non-Domestic Rates.

REVENUE INCOME
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.

Leicestershire County Council

The accounts can be viewed at **www.leicestershire.gov.uk**

Copies of this Statement of Accounts are available from:

Corporate and Technical Finance,
Corporate Resources Department,
Leicestershire County Council,
County Hall, Glenfield, Leicester, LE3 8RB

Photographs on cover:

County Hall, Leicester
The new Pork Pie Way, Melton
Watermead Country Park

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