



**DRAFT (UNAUDITED)
ANNUAL FINANCIAL REPORT
2025/26**

including
THE STATEMENT OF ACCOUNTS

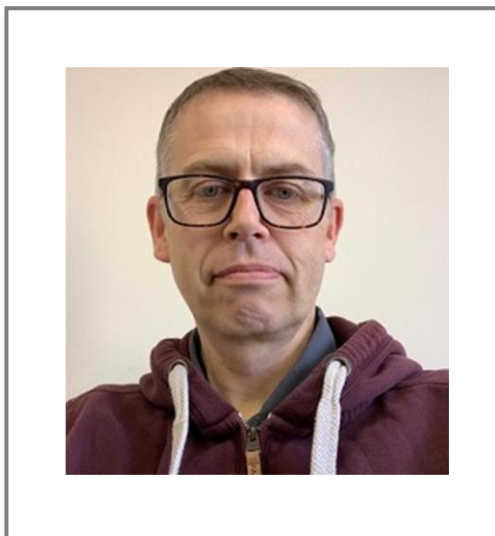
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APPROVAL OF THE ACCOUNTS

This draft Statement of Accounts is subject to change following the completion of the audit by Grant Thornton.

NARRATIVE REPORT



Introduction by the Chief Finance Officer

Welcome to the Council's Statement of Accounts for the year ended 31 March 2026 which details the financial position of the Council. This Narrative Report outlines the main issues affecting the Council in 2025/26 and also provides a summary of the financial position at 31 March 2026.

The statement of accounts has been prepared in accordance with the code of practice on Local Authority Accounting in the United Kingdom 2025/26 (the Code). It aims to provide relevant information to ensure that the financial position of the Council is presented as a true and fair view and assure the reader of the accounts that the financial position of

the Council is sound and secure. The requirements of the Code require significant disclosure notes with the consequence that the accounts are lengthy and complex. The narrative report seeks to highlight the key issues in 2025/26 for the reader, who can then seek more detailed explanations in the key financial statements and disclosure notes.

The narrative report aims to provide context to the accounts in respect of the 2025/26 financial outturn, the overall financial position of the Council and to place the Council's finances in the context of its Corporate Plan, priorities, and achievements. The Council has, through continued strong financial management, contained spending within budget and retains a strong Balance Sheet to meet future challenges.

If you have further queries regarding the 2025/26 Accounts, please contact the Council's Finance Team at hdcfinance@harborough.gov.uk

I wish to thank all members, the Corporate Management Team, the wider officer cohort for their support and contributions and the Finance Team for producing the accounts.

A handwritten signature in black ink, appearing to be 'Clive Mason', written in a cursive style.

Clive Mason FCPFA
Director of Resources (& s.151 Officer)
(Responsible Financial Officer)

District Context

Harborough District spans an area of 59,178 hectares (228 square miles). The district shares boundaries with Melton, Rutland, Corby, Kettering, Daventry, Rugby, Blaby, Oadby & Wigston, Leicester and Charnwood Districts. The main urban centres are Market Harborough and Lutterworth.

There are several main 'A' roads that link the main urban settlements within and outside the district. The A4303/A4304 serves between Harborough and Lutterworth. The A6 links Market Harborough directly to Leicester and the A14 links to Kettering and the South. The main urban areas of the district are close to the intersection of the M1, M6 and A14. The district has major logistics hubs to the west of the district at Magna Park which due to its proximity to the major road network and the fact that 95% of all places in England are within four hours travelling distance of the district make it an ideal location for inward investment.

Harborough's rural nature, and its proximity to London by rail, makes it an increasingly attractive place for commuters to live. It is likely that alongside this, an increasing number of businesses setting up in Harborough have either links to, or clients in London.

The current population of the district is 97,600 (Census 2021). The district is expecting a significant increase in the population by 2033 and has a buoyant demand for supply of housing estates. A particular challenge is the increase in the elderly population. The Council works in partnership with others through the Better Care Fund and Lightbulb Project to plan for services to meet the needs of older people.

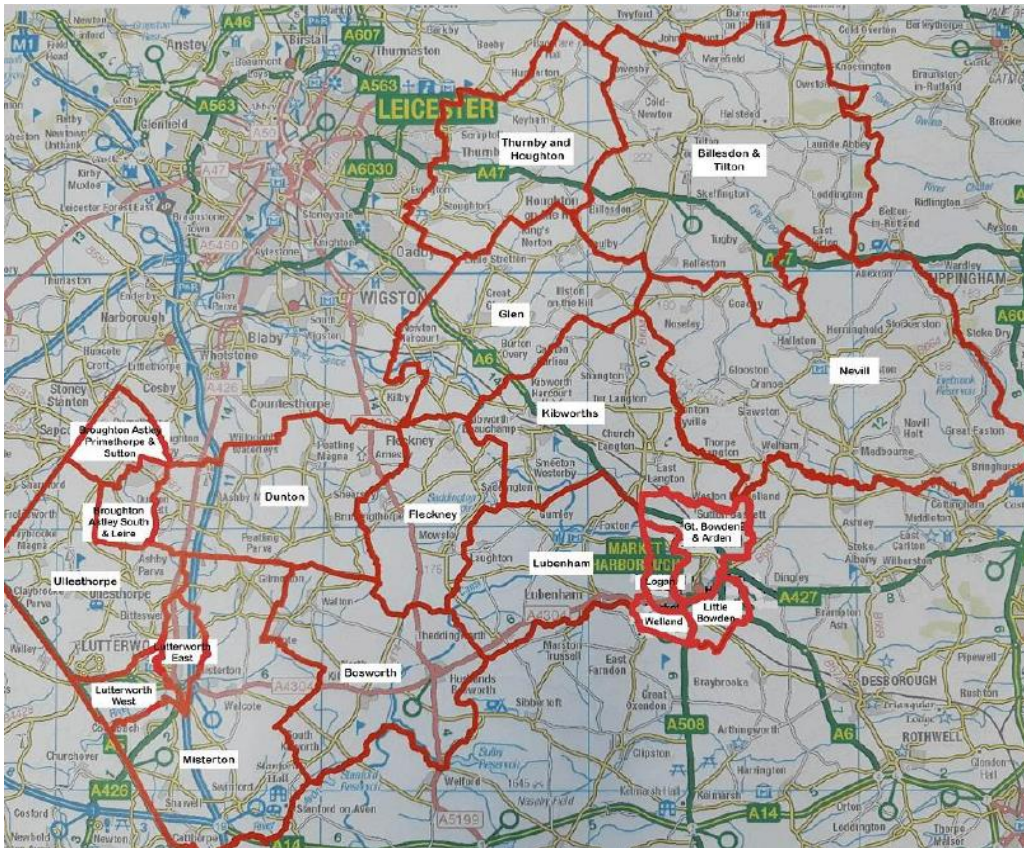
The local economy remains predominantly driven by smaller enterprises, and the proportional breakdown remains largely unchanged. Below is the 2025/26 breakdown showing the increases calculated from the 2024/25 dataset:

- Total businesses: 5,405 (an increase of 50 businesses from 5,355)
- Micro businesses (0 to 9 employees): 4,885. This category continues to make up approximately 90% of the district's businesses (90.4%). This represents an estimated increase of 65 businesses from the previous approximate count of 4,820.
- Small businesses (10 to 49 employees): 430. This maintains the previous proportion of 8.0%. This shows a minor estimated increase of 2 businesses from the previous approximate count of 428.
- Medium and large businesses (50+ employees): 90 in total, consisting of 75 medium enterprises and 15 large enterprises. This represents 1.7% of the total businesses, indicating a slight contraction in this sector compared to the previous estimate of roughly 107 businesses (2%).

Levels of people claiming benefits are lower than the National and Leicestershire averages.

Political Structure

The Council operates a Strong Leader Cabinet Model. During 2025/26 the Council comprised of 34 Members in a mixture of single and multi-member wards.



The political make-up of the Council as at 31 March 2026 was:

Political Party	Number of Councillors
Conservative	15
Liberal Democrats	11
Labour	3
Green	3
Independent/Reform	2
Total	34

The leader of the Council during 2025/26 was Councillor Phil Knowles. Until May 2025 the Portfolio holder for Finance was Councillor Mark Graves, thereafter and the remainder of the year it was Councillor Jim Knight. A coalition between the Liberal Democrats, Labour and Green parties was in place for the whole year. In April 2026 the Conservative Group became the administration.

Before and after the general election held on 4th July 2025, Harborough District was represented by three MPs, Neil O'Brien, Alicia Kearns, and Alberto Costa.

Council Workforce and Management Structure

The Council had 221 employees at 31 March 2026 (194.9 full time equivalent) who are primarily based at The Symington Building, Market Harborough, and also some at the Harborough Innovation Centre, Harborough Market, and Leicestershire Revenues and Benefits Partnership based in Hinckley. The Council also provide parking enforcement services to other Councils.

Every year we ask our staff to complete a voluntary equality monitoring questionnaire and then produce a report comparing the results with information relating to the community we serve. Find the latest workforce comparison report on our website. <https://www.harborough.gov.uk/equality>

The Council is managed by the Corporate Management Team, comprising of a Chief Executive, a Deputy Chief Executive and three Directors. The Head of Democratic Services & Elections attends as Monitoring Officer.

Effectiveness of Control and Governance Framework

The Council will produce its Annual Governance Statement alongside the Statement of Accounts. This demonstrates the internal control and Governance frameworks that operated during 2025/26. Overall, the Council's self-assessment and annual Head of Internal Audit report will evidence through audit, testing and assurance frameworks that the Council operated as intended in 2025/26 to deliver the Council's priorities.

Council Vision and Priorities

In 2022 the Council developed a new vision for 2022/31. Key Activities are detailed in the Corporate Delivery Plan:



Performance of the Council

Council Performance is being reported quarterly to Cabinet alongside financial performance with the Quarter 4 position being due to be considered by the Council's Cabinet in September 2026.

Key Achievements in 2025/26 against the Council priorities were:

➤ **Place and Community - community leadership to create a sense of pride in our place**

- The community grants scheme continued in 2025/26, awarding £1,068,912.21 through 90 grants.
- Planning performance remained above target, with 84% of major applications determined within 13 weeks against a 60% target. For minor applications, 77.4% were determined within eight weeks against a 70% target, with 565 of 730 applications completed on time.
- Ongoing car park improvements, including pothole repairs, new parking machines and procurement for lighting at the car park behind Harborough Leisure Centre.
- A new self-service contact point has opened at The Symington Building on a pilot basis. Phone and computer kiosks provide another way for customers to access council services.
- The Lifeline Service is now fully digital, helping vulnerable residents continue to receive support and reassurance at home.

➤ **Healthier Lives - promoting health and wellbeing and encouraging healthy life choices**

- The Council budgeted for an additional 7 temporary homes to add to the portfolio as demand continues to see homelessness rising. In 2025/26 an average of 17 households were in temporary accommodation in HDC owned properties, that's 4,465 nights being offered in council owned properties. In 2025/26 841 new homeless cases were opened. The current housing register has more than 700 applications live.
- Students from local schools have benefitted from Harborough District Youth Council's Finance Champions programme, which equips young people with essential skills in money management and financial literacy.
- 117 new affordable homes were built during the year.
- A suicide and self-harm prevention meeting brought together more than 40 representatives from the public, private, voluntary and community sectors.

➤ **Environmental and Sustainability - creating a sustainable environment to protect future generations**

- The Council purchased Tin House Farm for just under £1.8 million to deliver a new environmental services depot and support landscape-scale nature restoration.
- Nine Environmental Grants totalling £133,248.80 supported projects including solar panels, efficient heating and LED floodlighting for community facilities.
- New 22kW EV chargers were installed across five locations, replacing older 7kW units and expanding community charging provision.
- Recycling participation reached 98.45% in 2025/26, higher than the previous year.

➤ **Economy - supporting businesses and residents to deliver a prosperous local economy**

- 5% reduction in council tax (Equivalent to about: £9.16 decrease for a Band D property).
- 0% increase in green bin waste and car park charges for 2026/27.
- Free October half-term activities helped increase town centre footfall.
- The council offered free workshops, one-to-one support and growth programmes aligned to economic priorities as part of its Business Advice Service.

Risk and Opportunity Management

The Council actively manages its risks and opportunities; this includes a commentary on the effectiveness of controls and other mitigation actions. The 2025/26 Quarter 4 report has yet to be reported to Audit & Standards Committee but at Quarter 3 there were two red:

- a) CR 13 Increase in homeless presentations results in an increased demand in Council support for reactive temporary accommodation that exceeds the current budget and weakens the Council's financial position.
- The issue: the council, like most local authorities is seeing a significant increase in demand and budgets are exceeded. However, meeting this demand is a statutory requirement,
 - In mitigation; the council monitors the number of homeless applications throughout the year. To help meet this demand the Council is purchasing houses across the district that will provide short-term temporary accommodation at a cheaper cost to the taxpayer than if people were accommodated within the private sector.
- b) CR23.1 Recruitment to specialist roles in the council.
- The issue: the council has found it a challenge to attract and recruit suitably experienced and qualified staff to specialist roles within the council, such as the Head of Legal services, and solicitors. With the current reorganisation of local government, it is likely that recruitment issues will occur.
 - In mitigate: to ensure delivery of services, it is likely that roles will have to be filled using interim staff; which will be at considerably higher cost than direct employment. However, recruitment will continue and alternative delivery models (i.e. shared services) will be explored.

Revenue Budget

During 2025/26 the Council continued to deliver its priorities and desired outcomes within the approved budget. The total Direct Cost of Services by Director is:

2025/26			
Directorate	Budget £'000	Actual £'000	Variance £'000
Chief Executive	324	325	1
Communities & Wellbeing	7,590	8,790	1,200
Deputy Chief Executive	4,362	4,572	209
Planning	1,817	976	(841)
Resources	2,414	2,628	214
Special Projects	1,470	1,289	(181)
Budgeted Reserve	(1,767)	0	1,767
Subtotal	16,210	18,579	2,369
Capital Financing	759	327	(432)
Total	16,969	18,906	1,937

This shows a net overspend of £0.170m on services after capital financing.

Revenue Reserves

The appropriations to/from reserves made during 2025/26 were:

Revenue Reserve Movements 2025/26		
	General Fund £'000	Earmarked Reserves £'000
Opening Balance	4,902	27,351
Contribution to/(from) Reserves	352	(8,907)
Closing Balance	5,254	18,443

The Council's policy for reserves is that the General Fund unallocated balance is maintained at 20% of the Council's net expenditure with the balance transferred to the budget surplus reserve and reallocated against other earmarked reserves. The decision on which earmarked reserves should receive contributions has not yet taken place. Details of this and a breakdown of earmarked reserves are shown in Note 13 of these accounts. The opening balance as at 1 April 2025 has been adjusted to reflect post audit changes to previous years Statement of Accounts.

Technical Adjustments

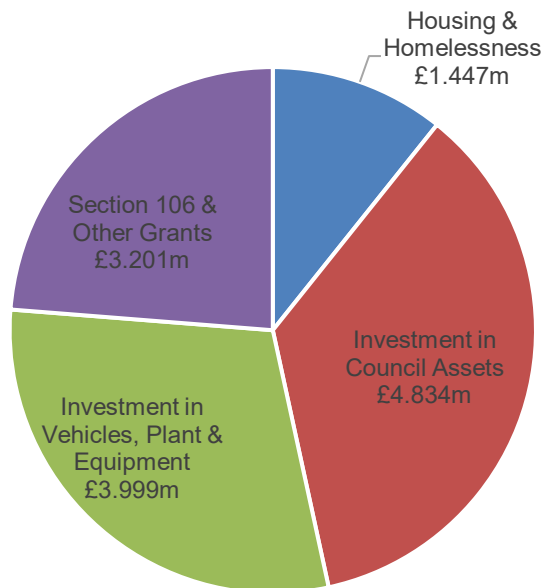
The Council monitors its budget on the basis of net direct expenditure (per the table above) whilst the accounts incorporate charges for capital charges and pension costs and other adjustments. The movements between total net expenditure on services and the net costs of services in the accounts are detailed below:

	£'000
Total Net Expenditure on Services (Management Accounts)	18,906
Capital Charges	(4,552)
Internal Borrowing - Capital	7,629
Investment Income	2,083
Other Movements	(518)
Net Cost of Services (Statutory Accounts)	23,547

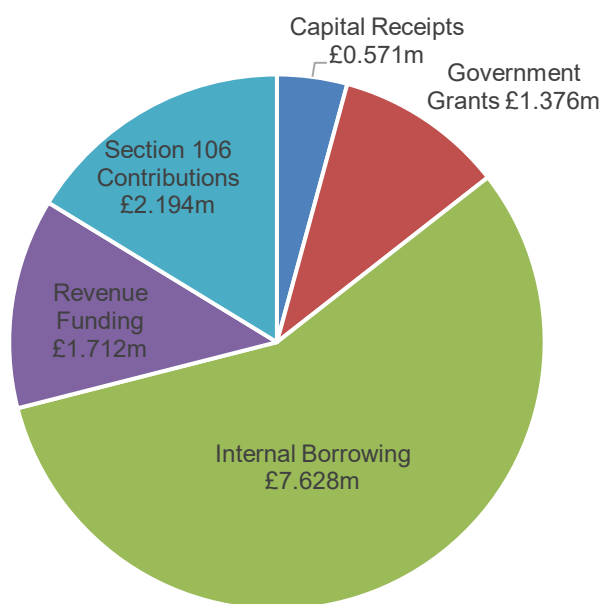
Overall, the financial performance of the Council remains strong with a healthy and stable balance sheet. There remains significant uncertainty nationally over future funding streams (detailed later in this narrative report) for which the Council's overall financial position will allow a planned response when national funding levels are announced.

Capital Investment

The Council approved the Capital Programme in February 2025. The Council spent £13.481m on Capital Schemes in 2025/26 as follows:



The Capital Programme was funded as below:



Financial Strategy

In February 2025, the Council approved a Medium-Term Financial Strategy (MTFS) to 2029/30 which was duly update in February 2026; although the MTFS period was reduced to 2028/29 because of local government review (i.e. 2028/29 being one year after the formation of the new unitary). The Council aims to deliver cost-effective and sustainable services over the medium-term in line with its corporate priorities. The current national and local economic environment has been challenged by the legacy of the Coronavirus Pandemic, and now with the implications of the current cost of living crisis and high inflationary environment; however local government itself has been financially challenged since the financial crisis of 2008 to 2010. The Council has met these challenges well; it has embraced continuous improvements that continues to deliver transformational change; the aim of which is to ensure that the Council can deliver its essential services within an environment that has embedded financial resilience and sustainability at its core. Further, the MTFS achieved a balanced budget. The MTFS provides the resourcing roadmap to help the Council deliver its priorities and has achieved a balanced budget for each year of the MTFS, although with the use of Earmarked Reserves over the last three years.

The aim of the MTFS is to support longer term planning with the aim of delivering a stable and sustainable financial environment to support the achievement of the Council's vision and strategic objectives. The MTFS is a key element of the Council's corporate governance arrangements and an integral element of the Council's corporate planning process.

The MTFS provides a framework that will assist the Council in effectively applying its limited financial resources in a manner which achieves the strategic priorities set out in the Corporate Delivery Plan. By striving to ensure the costs of delivering its service objectives over the term of the strategy are commensurate with the overall forecast financial resources available, the

Council can seek to maintain the financial health of the authority in a manner which does not place an unreasonable burden on local taxpayers.

The financial strategy also recognises the requirement to maintain a balance between the desire to continue to deliver services but to also deliver services in a way that is both affordable and sustainable. It acknowledges the need to manage any reliance on balances and reserves utilised to bring about the introduction of service transformation. It provides a framework for the detailed financial plans over the period. The MTFS is not a static “once and for all” document; it is meant to provide a roadmap to deliver efficient and effective services over the medium-term.

Through this robust financial planning, financial management and a strategic set of Corporate Priorities and outcomes the Council is confident that it will continue to operate as a Going Concern in the future.

Financial Statements

- **The Comprehensive Income and Expenditure Statement** – reports the net cost for the year of all the functions for which the Council is responsible and demonstrates how that cost has been financed from general government grants and income from local taxpayers. The Cost of Services analysis is by director, and for consistency, is based on the director structure used for setting the 2026/27 budget. The surplus on the provision of services totalled £2.92m (£4.62m 2024/25).
- **The Movement in Reserves Statement** – shows the movement during the year between the Council’s “usable reserves” (i.e., those that can be used to fund expenditure or reduce Council Tax) and “unusable reserves”. The surplus/deficit on the Provision of Services line shows the true economic cost of providing the Council’s services. Also included are adjustments to ensure the General Fund is only charged with statutory expenditure plus contributions to/from earmarked reserves. The Council’s reserves total is £72.37m (£71.21m 2024/25).
- **The Balance Sheet** – shows the Council’s overall financial position at the financial year end. It shows assets and liabilities at the top and the Council’s reserves (net worth) to match them. Our net worth is £72.53m (£71.21m 2024/25).
- **The Cash Flow Statement** – a summary of the cash movements during the year, demonstrating how the Council has moved to the financial position reflected on the Balance Sheet. This shows an increase in cash and cash equivalents of £77k (£1.03m 2024/25).
- **The Collection Fund** – shows the transactions of the Council in relation to non-domestic rates and council tax. It illustrates the way in which these have been distributed to precepting authorities and the Council’s General Fund.
- **Group Accounts** - This shows the consolidation of Harborough District Commercial Services Limited.

The Accounts are prepared on the basis of an internal materiality level of £480k.

True and Fair View Override

As required by the Accounts and Audit Regulations 2015, paragraph 8.2, it is noted that the Responsible Financial Officer has not had to use the “true and fair view override”.

Local Government Reorganisation

The Council received notification during late 2025 that, as a Leicestershire council, it would be subject to local government review. Over the winter the Council worked with other councils across the county and submitted its "north-city-south" bid for a three unitary proposal for Leicestershire. The council is expecting to hear the governments preferred option in mid to late July 2026.

Summary

This Narrative Report aims to provide an overview of the Council’s financial and non- financial performance for 2025/26 alongside priorities for the future that are inextricably linked to the MTFS and the need to respond to changes in financing and the delivery of Council priorities.

The Statement of Accounts for 2025/26 present a true and fair financial position of Harborough District Council for the financial year ended 31 March 2026. Up to date and proper accounting records have been maintained in accordance with the accounting policies detailed.



Clive Mason FCPFA
Director of Resources (& s.151 Officer)
Responsible Financial Officer
29 June 2026

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 for one of its officers to be responsible for the administration of those affairs. In Harborough District Council, this is the Director of Resources (& s.151 Officer).
- to manage its affairs to secure economic, efficient, and effective use of resources and safeguard its assets; and
- approve the statement of accounts.

Director of Resources (& s.151 Officer) Responsibilities

The Director of Resources (& s.151 Officer) is responsible for preparing Harborough District Council'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 the Statement of Accounts the Director of Resources (& s.151 Officer) has:

- selected suitable accounting policies and applied them consistently.
- made judgements and estimates that were reasonable and prudent.
- complied with the local authority Code.

The Director of Resources (& s.151 Officer) has also:

- kept proper accounting records which were up to date.
- taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that the Statement of Accounts gives a true and fair view of the financial position of Harborough District Council as at 31 March 2026 and its income and expenditure for the year then ended.



Clive Mason FCPFA
Director of Resources (& s.151 Officer)
Responsible Financial Officer
29 June 2026

COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

This 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. Authorities raise taxation to cover expenditure in accordance with statutory requirements; this may be different from the accounting cost. The taxation position is shown in both the Expenditure and Funding Analysis and the Movement in Reserves Statement.

Restated 2024/25				2025/26		
Exp £'000	Inc £'000	Net £'000	Note	Exp £'000	Inc £'000	Net £'000
321	0	321		289	0	289
4,465	(608)	3,857		5,976	(405)	5,570
13,789	(10,306)	3,483		13,464	(9,005)	4,460
18,171	(8,778)	9,394		20,093	(7,604)	12,489
3,196	(1,106)	2,089		3,021	(2,282)	739
39,942	(20,798)	19,143		42,843	(19,296)	23,547
2,532	0	2,532	9	2,901	(80)	2,821
1,821	(3,912)	(2,091)	10	1,325	(2,480)	(1,156)
6,443	(30,643)	(24,199)	11	7,353	(35,487)	(28,134)
50,769	(55,353)	(4,615)		54,422	(57,343)	(2,922)
		(2,182)	23			(3,980)
		(561)	26			7,966
		(2,743)				3,986
		(7,358)				1,065

MOVEMENT IN RESERVES STATEMENT

This statement shows the movement in the year on the different reserves held by the authority, analysed into 'usable reserves' (i.e., those that can be applied to fund expenditure or reduce local taxation) and other reserves.

The 'surplus or (deficit) on the provision of service' line shows the true accounting cost of providing the authority's services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charges to the General Fund (GF) for Council Tax setting purposes.

The 'net increase/decrease before transfers to earmarked reserves' line shows the statutory General Fund balance before any discretionary transfers to or from earmarked reserves are undertaken by the Council.

Reserves are reported in two categories. The first category are usable reserves, i.e., those reserves that may be used to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use. The second category of reserves cannot be used to provide services, such as reserves that hold unrecognised gains and losses (revaluation reserve), where amounts only become available if assets are sold. Also reserves that hold timing differences shown in the Movement in Reserves Statement "Adjustments between accounting basis and funding basis under regulations."


	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2025 carried forward	4,902	27,350	239	602	33,093	38,115	71,209
Movements in Reserves during 2025/26							
Surplus/(Deficit) on Provision of Services	2,922	0	0	0	2,922	0	2,922
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,766)	(1,766)
Total Comprehensive Income and Expenditure	2,922	0	0	0	2,922	(1,766)	1,155
Adjustments between accounting basis and funding basis under regulations	(11,483)	0	(239)	(33)	(11,755)	11,755	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(8,561)	0	(239)	(33)	(8,834)	9,989	1,155
Transfers to/from Earmarked Reserves	8,907	(8,907)	0	0	0	0	0
Other movements	5	0	0	0	5	0	0
Increase/(Decrease) in Year	351	(8,907)	(239)	(33)	(8,829)	9,989	1,160
Balance at 31 March 2026 carried forward	5,254	18,443	0	569	24,265	48,103	72,368

	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2024 carried forward restated	3,216	18,506	8,903	1,073	31,698	32,325	64,023
Movements in Reserves during 2024/25							
Surplus/(Deficit) on Provision of Services	4,615	0	0	0	4,615	0	4,615
Other Comprehensive Income and Expenditure	0	0	0	0	0	2,743	2,743
Total Comprehensive Income and Expenditure	4,615	0	0	0	4,615	2,743	7,358
Adjustments between accounting basis and funding basis under regulations	6,370	0	(8,946)	(471)	(3,047)	3,047	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	10,985	0	(8,946)	(471)	1,568	5,790	7,358
Transfers to/from Earmarked Reserves	(9,270)	8,845	283	0	(143)	0	(143)
Other movements	(28)	0	0	0	(28)	0	(28)
Increase/(Decrease) in Year	1,686	8,845	(8,663)	(471)	1,397	5,790	7,187
Balance at 31 March 2025 carried forward	4,902	27,351	239	602	33,094	38,115	71,209

BALANCE SHEET

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the authority. The net assets of the authority (assets less liabilities) are matched by the reserves held by the authority.

Restated 31 March 2024 £'000	Restated 31 March 2025 £'000		Note	31 March 2026 £'000
48,097	57,625	Property, Plant & Equipment	14	69,554
25	25	Heritage Assets		25
1,135	1,195	Investment Property	15	1,228
14	126	Intangible Assets		122
3,394	3,418	Long Term Investments	27	3,418
52,665	62,388	Long Term Assets		74,346
49,357	37,000	Short Term Investments	27	29,000
0	215	Assets Held for Sale		0
115	104	Inventories		145
7,671	9,858	Short Term Debtors	17	6,931
2,732	3,758	Cash and Cash Equivalents	18	3,835
59,875	50,935	Current Assets		39,911
(15)	(15)	Short Term Borrowing		0
(24,870)	(15,851)	Short Term Creditors	19	(13,312)
(2,512)	(2,606)	Provisions	20	(1,278)
(609)	(436)	Grants Receipts in Advance - Revenue	21	(645)
(28,006)	(18,909)	Current Liabilities		(15,235)
(1,469)	(1,468)	Long Term Borrowing	27	(1,468)
(228)	(561)	Long Term Creditors	19	(413)
(8,677)	(7,580)	Pension Liability Account	39	(12,349)
(10,137)	(13,596)	Grants Receipts in Advance - Capital	21	(12,257)
(20,511)	(23,205)	Long Term Liabilities		(26,487)
64,023	71,209	Net Assets		72,534
31,699	33,095	Useable Reserves	MiRS	24,431
32,324	38,114	Unusable Reserves	22	48,103
64,023	71,209	Total Reserves		72,534



Clive Mason FCPFA
Director of Resources (& s.151 Officer)
Responsible Financial Officer
29 June 2026

CASH FLOW STATEMENT

The Cash Flow Statement shows the changes in cash and cash equivalents of the authority during the reporting period. The 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 the recipients of services provided by the authority.

Investing activities represent the extent to which cash outflows 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.

2024/25		2025/26
£'000		£'000
4,615	Net Surplus/(Deficit) on the Provision of Services	2,922
1,252	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(139)
110,948	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	180,673
116,815	Net Cash Flows from Operating Activities	183,455
(101,895)	Investing Activities (Note 29)	(184,178)
(13,894)	Financing Activities (Note 30)	800
1,026	Net increase in Cash and Cash Equivalents	77
2,732	Cash and Cash Equivalents at the beginning of the reporting period	3,758
<u>3,758</u>	Cash and Cash Equivalents at the end of the reporting period	<u>3,835</u>

1. Accounting Policies

1.1 General Principles

The Statement of Accounts summarises the Authority's transactions for the 2025/26 financial year and its position at the year ending 31 March 2026. The Authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2025/26, supported by International Financial Reporting Standards (IFRS).

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

The Statement of Accounts has been prepared with reference to:

- The objective of providing information about the financial position, performance and cash flows in a way that meets the common needs of most users.
- The objective of demonstrating the results of stewardship and accountability of elected members and management of the resources entrusted to them.
- The underlying assumption of going concern.

1.2 Changes in Accounting Treatment

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

Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

1.3 Accruals of Income and Expenditure

The revenue and capital accounts of the Council are maintained on an accruals basis in accordance with the Code. That is, activity is accounted for in the year that it takes place, not simply when cash payments are made or received.

1.3.1 Revenue from contracts with service recipients – whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations of the contract.

1.3.2 Employee Costs – the full cost of employees has been included for the period 1 April 2025 to 31 March 2026. The exception to this is that the reimbursement of travel

expenses is made one month in arrears, so that the amount included in the accounts covers the period 1 March 2025 to 28 February 2026. This policy has been applied consistently between years and does not have a material effect on the accounts.

1.3.3 Interest – interest payable on borrowings and receivable on investments is accounted for on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

1.3.4 Supplies and Services – the costs of supplies and services have been accrued and included in the accounts for the period to which they relate. All material sums unpaid at the year-end for goods and services received or works completed, have been accrued. The exception to this policy relates to quarterly utility payments (e.g. gas, electricity and water), which are charged at the date of the meter reading and are not apportioned between financial years. Again, this policy has been applied consistently between years and does not have a material effect on the accounts.

1.4 Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than one month or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of changes in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts, which are repayable on demand and form an integral part of the Authority's cash management.

1.5 Contingent Assets and Liabilities

Contingent assets and liabilities arise when an event has taken place that gives the Council a possible asset or obligation whose existence will only be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Council. 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 assets and liabilities are not recognised in the accounts but are instead disclosed by means of a note to the Balance Sheet, where the inflow of a receipt or economic benefit is probable.

1.6 Employee Benefits

1.6.1 Termination Benefits

Termination benefits are amounts payable as a result of the council's decision to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Net Cost of Services line in the Comprehensive Income & Expenditure Statement when the Council is demonstrably committed to the termination of the employment of an officer or group of officers or making an offer to encourage voluntary redundancy.

1.6.2 Pension Benefits

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council, which is accounted for as a defined benefits scheme.

The attributable assets of the scheme are measured at fair value:

- quoted securities – current bid price
- unquoted securities – professional estimate
- unitised securities – current bid price
- property – market value

The attributable liabilities of the scheme are measured on an actuarial basis using the projected unit method – i.e., an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projections of projected earnings for current employees.

The change in the net pensions 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 as part of Non-Distributed Costs
- net interest on the net defined benefit liability (asset), i.e. 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 of 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 benefit 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 Pensions Reserve as Other Comprehensive Income and Expenditure
- remeasurement of the net defined benefit liability – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or due to the updates in actuarial assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure

In relation to retirement benefits, statutory provisions require the General Fund 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 them with debits 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 on the Pensions Reserve 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 earned by employees.

1.6.3 Discretionary Benefits

The council 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 members of staff are accrued in the year of the decision to make the award and accounted for using the same policies applied to the Local Government Pension Scheme.

1.7 Prior Period Adjustments, Changes in Accounting Policies & Estimates & Errors

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

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

Material errors discovered in prior period figures are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

1.8 Events after the Balance Sheet Date

Events after the Balance Sheet date are those events, both favourable and unfavourable, that occur between the balance sheet date and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

- 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
- those that are indicative of conditions that arose after the reporting period – the Statement of Accounts is 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.

1.9 Financial Instruments

1.9.1 Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provision of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Comprehensive Income & Expenditure Statement for interest payable are based on the carrying

amount of the liability multiplied by the effective rate of interest for that particular financial instrument.

For the Council this means that the amount presented in the Balance Sheet is the outstanding principal repayable and interest charged to the Comprehensive Income & Expenditure Statement is the amount payable for the year in the loan agreement.

Gains or losses on the repurchase or early settlement of borrowing are credited and debited to Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement in the year of repurchase/settlement.

Where premiums and discounts have been charged to the Comprehensive Income & Expenditure Statement, regulations allow the impact on balances to be spread over future years. The Council has a policy of spreading the gain/loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid, unless the premium or discount is not material in amount. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against balances is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

1.9.2 Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics.

There are three main classes of financial assets measured at:

- Amortised cost
- Fair value through profit or loss (FVPL), and
- Fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except where contractual payments are not solely payment of principal and interest.

1.9.3 Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest payable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the balance sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year of the loan agreement.

Any gains or losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

1.9.4 Expected Credit Loss Model

The Authority recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model

also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Authority.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

1.9.5 Financial Assets Measured at Fair Value through Other Comprehensive Income

Financial assets that are measured at FVOCI are recognised on the balance sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in Other Comprehensive Income.

1.9.6 Financial Assets Measured at Fair Value through Profit and Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Authority becomes party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arise in the Surplus or Deficit on the Provision of Services.

1.9.7 Fair Value Measurements of Financial Assets

Fair value of an asset is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

The fair value measurements of the financial assets are based on the following techniques:

- Instruments with quoted market prices – the market price
- Other instruments with fixed and determinable payments – discounted cash flow analysis

The inputs to the measurement techniques are categorised in accordance with the following three levels:

Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.

Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 inputs – observable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

1.10 Government Grants and Other Contributions

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

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

Amounts recognised as due to the council 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 acquired using the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants or 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 or Taxation and Non-Specific Grant in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grant Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grant Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

1.11 Overheads

The costs of overheads and support services are not charged to service segments in accordance with the Authority's arrangements for accountability and financial performance.

1.12 Property, Plant, and Equipment

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.

1.12.1 Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis provided that it is probable that the future economic benefits or service potential associated with the item will flow to the council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e., repairs and maintenance) is charged as an expense when it is incurred. The Council has a de-minimis level for recognition as an asset, an item or a related group of items must have a minimum expenditure value of £5,000 excluding VAT.

1.12.2 Measurement

Assets are initially measured at cost, comprising of the purchase price plus any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The Council does not capitalise borrowing costs incurred while assets are under construction.

The cost of an asset acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have any commercial substance (i.e., it will not lead to a variation in the cash flows of the council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Infrastructure assets, community assets and assets under construction are carried at historic cost, net of depreciation where appropriate.
- All other assets are carried at fair value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of fair value. Where non-property assets that have short useful lives and/or low values, depreciated historical cost basis is used as proxy for fair value.

Assets included in the Balance Sheet at fair value are revalued to a five-year rolling programme, although material changes to valuations are adjusted in the interim period. Increases in valuation are matched by credits to the Revaluation Reserve to recognise unrealised gains.

Where decreases in value are identified, they are accounted for:

- 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 in the Comprehensive Income and Expenditure Statement.

1.12.3 Impairment

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 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.

1.12.4 Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable useful life (i.e., freehold land and certain community assets) and assets that are not yet available for use (i.e. assets under construction).

Where depreciation is provided for, assets are being depreciated using the straight-line method over their useful lives as advised by the valuer/suitably qualified officer. Assets are not depreciated in the year of addition but are depreciated in the year of disposal.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

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

1.12.5 Disposals and Non-Current 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 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 previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale, adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as held for sale, and their recoverable amount at the date of the decision to sell. Assets that are to be abandoned or scrapped are not reclassified as assets held for sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet is written off to the Income and Expenditure Account as part of the gain or loss on disposal. Receipts from disposal are credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement 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). Any revaluation gains in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts relating to old housing disposals are payable to the Government. The balance of receipts is required to be credited to the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Authority's underlying need to borrow. Receipts are appropriated to the Reserve from the General Fund in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of fixed assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund in the Movement in Reserves Statement.

1.13 Provisions

Provisions are required for any losses or liabilities which are likely or certain to be incurred, where the amounts or dates upon which they will arise are uncertain. Provisions are charged to the appropriate service revenue account in the year that the Authority becomes aware of the obligation, based on the best estimate of the likely settlement. When expenditure is incurred, it is charged to the provision set up in the Balance Sheet.

1.14 Reserves

The Council 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. 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 & Expenditure Statement. The equivalent proportion of 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 held to manage the accounting processes for non-current assets, financial instruments, retirement, and employee benefits and do not represent useable resources for the council; these are explained in the relevant policies. The Usable Capital Receipts Reserve is a reserve established for specific statutory purposes to hold the balance of sold assets.

1.15 Revenue Expenditure Funded from Capital Under Statute (REFCUS)

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 is charged to the relevant service in the Comprehensive Income and Expenditure Statement in the year. 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 that there is no impact on the level of council tax.

1.16 Value Added Tax (VAT)

VAT is included in income and expenditure accounts, whether of a revenue or capital nature, only to the extent that it is irrecoverable.

1.17 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:

- depreciation attributable to the assets used by the relevant service.
- 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.
- amortisation of intangible assets attributable to the service.

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 equal to an amount

calculated on a prudent basis determined by the Authority in accordance with statutory guidance.

Depreciation, revaluation, impairment losses and amortisation are therefore replaced by the contribution in the General Fund, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

1.18 Investment Property

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 in any way to facilitate the delivery of services or 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, unless the Authority can demonstrate that the carrying value is not materially different from the fair value.

Properties are not depreciated but are revalued annually according to market conditions at the 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.

If a reliable fair value cannot be determined because comparable market transactions are infrequent and alternative reliable estimates of fair value are not available, then the asset is accounted on a cost basis and depreciation continues to be charged.

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. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund. 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 the Capital Receipts Reserve.

1.19 Interests in Companies and Other Entities

The Council has a material interest in an external entity that is classified as a subsidiary and therefore group accounts have been prepared. In the Council's single entity accounts the Council's interest is recorded as a financial asset at cost less any provision for losses.

1.20 Council Tax and Non-domestic Rates

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

The Council Tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

1.21 Fair Value Measurement of Non-Financial Assets

The Authority measures some of its non-financial assets such as surplus assets and investments 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, or
- 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 market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the Authority takes into account a market participants ability to generate economic benefits by using the asset in its highest or best use or by selling it to another market participant that would use the asset in its highest or best use.

The Authority uses valuation techniques that are appropriate in the circumstances and for which sufficient data is available, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

1.22 Leases – Authority as a 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.

The initial measurement of leases are that they 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.

Lease liabilities are initially 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.

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 these financial statements, right-of-use assets held under index-linked leases have been adjusted for changes in the relevant index. Assets held under peppercorn or nil consideration leases have been valued on the basis of their lease liability.

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 group's 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.

As permitted by the Code, the authority excludes leases:

- for low-value items where the total lease liability is less than £5,000, 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).

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 impairment 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 in the Movement in Reserves Statement.

1.23 Leases – Authority as a 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.

1.23.1 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 and is required to be treated as a capital receipt. Where a premium has been received, this is posted out of the General Fund 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 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 in the Movement in Reserves Statement.

1.23.2 Operating Leases

Where the Council 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 Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (for example, 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.

2.0 Accounting standards that have been issued but not yet adopted

The Code requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard which has been issued but is yet to be adopted by the 2026/27 Code.

The Code also requires that changes in accounting policy are to be applied retrospectively unless transitional arrangements are specified, this would result in an impact on disclosures spanning two financial years.

Accounting changes that are introduced by the 2026/27 Code are as follows.

- Amendments to FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (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 single entity statements or group statements.

3.0 Critical Judgements in Applying Accounting Policies

In applying the accounting policies set out in these accounts, the Council has had to make certain judgements about complex transactions and those involving uncertainty about future events. The judgements that have had the most significant effect on the amounts recognised in the Statement of Accounts, and represent areas where an alternative judgement could have resulted in materially different accounting outcomes, are as follows:

- **Future Funding and Going Concern**

Local government continues to operate within a challenging financial environment, with uncertainty regarding future government funding, ongoing business rates reform

and wider economic conditions. In preparing the Statement of Accounts, the Council has considered the impact of these uncertainties on its financial position, medium-term financial strategy and asset base.

Having considered the approved Medium Term Financial Strategy, available reserves, cash flow forecasts and the Council's ability to set a balanced budget under the Local Government Finance Act 1992, management has concluded that there is no material uncertainty regarding the Council's ability to continue as a going concern. Furthermore, the Council has determined that current funding uncertainties do not provide evidence that its operational assets are impaired as a result of any requirement to cease services or close facilities.

- **Local Government Reorganisation**

The Government has announced its intention to replace the existing two-tier local government structure within Leicestershire with new unitary authorities, with an expected vesting day of 1st April 2028. At the date of approval of these financial statements, the final structure, geographical boundaries, constituent councils, governance arrangements and asset and liability transfer arrangements have not been determined. The Council has considered whether the proposed reorganisation provides evidence that assets are impaired, liabilities should be recognised or that an alternative accounting treatment should be applied to any material transactions or balances at 31st March 2026. Management have concluded that, while Local Government Reorganisation represents a significant future change to local conditions and will inevitably affect the accounts of the Council, there is insufficient information available at the Balance Sheet date to determine the impact, therefore no adjustments to the values of assets or liabilities have been made in relation to the Reorganisation. The Council will continue to review the accounting implications as further information becomes available.

- **Group Relationship and Consolidation**

The Council has considered its interests in the subsidiary company to determine whether group accounts are required and if the impact of consolidation is material to the financial statements. In making this assessment, the Council has considered the degree of control exercised, the nature of the relationship and the materiality of the entity's assets, liabilities, income and expenditure to the Council's overall financial position.

- **Investment Property Classification**

The Council owns a portfolio of land and buildings. Judgement is required in determining whether individual assets are held solely to earn rental income or for capital appreciation and should therefore be classified as investment properties, or whether they are held to support service delivery and should be classified as Property, Plant and Equipment. The classification adopted affects the basis on which assets are valued and how movements in value are recognised in the financial statements.

- **Business Rates Appeals and Collection Fund Arrangements**

As a billing authority, the Council is required to account for its share of business rates income and associated appeals. Judgement is applied in determining whether obligations arising from rating appeals and other Collection Fund adjustments should be recognised as provisions or contingent liabilities and in assessing the extent of the Council's exposure to these liabilities through the rates retention system.

4.0 Assumptions made about the Future and other Major Sources of Estimation Uncertainty

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends, and other relevant factors. The assumptions and other sources of estimation uncertainty disclosed below relate to the estimates that require the Council's most difficult, subjective or complex judgements. As the number of variables and assumptions affecting the possible future resolution of the uncertainties increases, those judgements become more subjective and complex. As a result, the balances cannot be determined with certainty, and actual results could be materially different from the assumptions and estimates.

The items in the Council'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:

Item	Uncertainties	Effect if actual results differ from assumptions
Property, plant and equipment	Assets are depreciated over useful lives that are dependent on assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the authority will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to assets. Assets are valued on a five-year rolling basis, supported by indexation adjustments in years where assets are not valued. Where the authority is unable to obtain a suitable index, a desktop revaluation of the asset is carried out in year three of the five-year cycle.	If the useful life of assets is reduced, depreciation increases and the carrying amount of the assets falls. It is estimated that the annual depreciation charge for buildings would increase by £16k for every year that useful lives had to be reduced. Based on the assets that were valued in the year as part of the five-year rolling revaluation programme, the average increase in the value of assets was 5.5%. For those assets where indexation was applied, the average increase in the value of assets was 0.55%. If the valuation percentage was applied to the assets valued using indices, this would increase their Balance Sheet value by £900k, compared to an indexation increase of £90k.
Provisions	The authority has made a provision of £10k for the settlement of claims for outstanding legal claims.	An increase over the forthcoming year of 10% in either the total number of claims or the estimated average settlement would each have the effect of adding £1k to the provision needed.
Pensions liability	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. A firm of consulting actuaries is engaged to provide the authority with expert advice about the assumptions to be applied.	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 £917k. However, the assumptions interact in complex ways. During 2025/26, the authority's actuaries advised that the net pensions liability had increased by a net of £4.772m attributable to updating of the assumptions and increased return on assets.

Item	Uncertainties	Effect if actual results differ from assumptions
Fair value measurements	The fair value of financial assets within these accounts are valued using the income approach; a valuation technique that converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount. The Council is required to follow the fair value hierarchy prescribed within IFRS 13: Fair Value Measurement to increase consistency and comparability in fair value measurements and related disclosures. The valuation basis adopted in these accounts uses Level 2 Inputs– i.e. inputs other than quoted prices that are observable for the financial asset/liability either directly or indirectly.	The Council is required to disclose a sensitivity analysis for each type of market risk to which the authority is exposed at the reporting date. If interest rates had been 1% higher on the reporting date with all other variables held constant, the fair value would have been £1.073m.
Non-Domestic Rates arrears	The NDR arrears balance of £1.462m at the Balance Sheet date is deemed to be at risk of material adjustment within the next year due to current economic circumstances meaning that businesses are struggling to pay. A review of significant balances suggested that an impairment of NDR doubtful debts of 9.9% (£145k) was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.	If collection rates were to deteriorate further, for every 1% reduction in collection rates, an extra £14.6k would be required to be set aside as an allowance

5.0 Events after the Reporting Period

The Statement of Accounts was authorised to issue by the Director of Resources on 29 June 2026, after due consideration of any post balance sheet events. 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 2025, the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information. The impact of Local Government Reform is not yet known.

6.0 Expenditure and Funding Analysis

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

2024/25			2025/26		
Restated Net Expenditure Chargeable to the General Fund £'000	Restated Adjustments between the Funding & Accounting Basis (Note 7) £'000	Restated Net Expenditure in the CIES £'000	Net Expenditure Chargeable to the General Fund £'000	Adjustments between the Funding & Accounting Basis (Note 7) £'000	Net Expenditure in the CIES £'000
303	18	321	259	30	289
3,485	372	3,857	5,310	260	5,570
3,197	286	3,483	4,091	369	4,460
8,890	503	9,394	7,081	5,407	12,489
1,992	97	2,089	543	196	739
17,868	1,276	19,143	17,285	6,262	23,547
3,349	(818)	2,532	12,488	(9,667)	2,821
(2,118)	27	(2,091)	(1,506)	351	(1,156)
(28,297)	4,097	(24,199)	(25,905)	(2,228)	(28,134)
(9,197)	4,582	(4,615)	2,361	(5,283)	(2,922)
(2,211)			(11,408)		
(9,197)			2,361		
(11,408)			(9,047)		

7.0 Note to the Expenditure and Funding Analysis

Note a) Adjustments for Capital Purposes

Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services lines, and for:

- **Other operating expenditure** – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for these assets.
- **Financing and investment income and expenditure** – the statutory charges for capital financing i.e., Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- **Taxation and non-specific grant income and expenditure** – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable without conditions or for which conditions are 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.

Note b) Net change for the Pensions Adjustments

Net change for the removal of pension contributions and the addition of the 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** – the net interest on the defined benefit liability is charged to the CIES.

Note c) Other Differences

Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and the 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** represents the difference between what is chargeable under statutory regulations for council tax and NDR that is projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

2025/26**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**

	Adjustment for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Total Adjustments £'000
Chief Executive	0	27	3	30
Deputy Chief Executive	5	231	24	260
Resources	165	186	19	369
Communities & Wellbeing	5,019	355	33	5,407
Planning	0	178	18	196
Net Cost of Services	5,189	977	96	6,262
Other Operating Expenditure	(9,667)	0	0	(9,667)
Financing and Investment	349	0	2	351
Income and Expenditure				
Taxation and Non-specific Grant Income	(3,538)	0	1,310	(2,228)
Difference between General Fund Surplus/Deficit and Surplus or Deficit on the Provision of Services	(7,667)	977	1,408	(5,283)

2024/25**Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts**

	Restated Adjustment for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Differences (Note c) £'000	Restated Total Adjustments £'000
Chief Executive	0	18	0	18
Deputy Chief Executive	254	118	0	372
Resources	179	107	0	286
Communities & Wellbeing	307	196	0	503
Planning	0	97	0	97
Net Cost of Services	740	536	0	1,276
Other Operating Expenditure	(818)	0	0	(818)
Financing and Investment	27	0	0	27
Income and Expenditure				
Taxation and Non-specific Grant Income	0	0	4,097	4,097
Difference between General Fund Surplus/Deficit and Surplus or Deficit on the Provision of Services	(51)	536	4,097	4,582

8.0 Expenditure and Income analysed by Nature

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

Restated 2024/25 £'000		2025/26 £'000
	Expenditure	
10,296	Employee benefits expenses	12,826
36,879	Other services expenses	36,333
959	Depreciation, amortisation and impairment	2,300
74	Interest payments	62
2,532	Precepts and levies	2,901
50,738	Total expenditure	54,422
	Income	
(9,939)	Fees, charges and other service income	(11,121)
(3,383)	Interest and investment income	(2,116)
(10)	Gain on the disposal of assets	(80)
(21,085)	Income from council tax and non-domestic rates	(24,371)
(20,937)	Government grants and contributions	(19,655)
(55,353)	Total income	(57,343)
(4,615)	(Surplus)/Deficit on the Provision of Services	(2,922)

9.0 Other Operating Expenditure

2024/25				2025/26		
Exp £'000	Inc £'000	Total £'000		Exp £'000	Inc £'000	Total £'000
2,532	0	2,532	Parish Council Precepts	2,901	0	2,901
0	0	0	Gains on the disposal of current and non-current assets	0	(80)	(80)
2,532	0	2,532		2,901	(80)	2,821

10.0 Financing and Investment Income and Expenditure

Restated 2024/25				2025/26		
Exp £'000	Inc £'000	Total £'000		Exp £'000	Inc £'000	Total £'000
74	0	74	Interest payable and similar charges	62	0	62
0	(2,366)	(2,366)	Interest receivable and similar income	0	(1,700)	(1,700)
0	(60)	(60)	Income and expenditure in relation to Investment Properties and changes in their fair value	0	(33)	(33)
0	(24)	(24)	Gain on Financial Instruments classified as fair value through profit and loss	0	0	0
27	0	27	Impairment allowance	452	0	452
399	0	399	Interest on the net defined benefit liability/asset	399	0	399
1,321	(505)	816	Market Hall trading operations	412	(365)	47
0	(589)	(589)	Other investment income	0	(383)	(383)
0	(368)	(368)	Other investment income: Non-exchange right-of-use assets	0	0	0
1,821	(3,912)	(2,021)		1,325	(2,480)	(1,156)

11.0 Taxation and Non-specific Grant Income and Expenditure

2024/25				2025/26		
Exp £'000	Inc £'000	Total £'000		Exp £'000	Inc £'000	Total £'000
0	(2,969)	(2,969)	Non-ring-fenced government grants	0	(4,172)	(4,172)
0	(2,175)	(2,175)	Capital grants and contributions	0	(3,620)	(3,620)
6,443	(15,864)	(9,421)	Non-domestic rates	7,353	(17,368)	(10,015)
0	(9,635)	(9,635)	Council Tax income	0	(10,327)	(10,327)
6,443	(30,643)	(24,199)		7,353	(35,487)	(28,134)

12.0 Adjustments between accounting basis and funding basis under regulation

This note shows the adjustments that are made to the total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to arrive at the resources that are specified by statutory provisions as being available to the Council 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 required to be paid 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 council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the council is required to recover) at the end of the financial year.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land and other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure or revenue expenditure where statutory flexibility is allowed. 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 account (reserve) holds the grants and contributions received towards capital projects for which the council 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/or the financial year in which this can take place.

2025/26	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Useable Reserves Total £'000	Unusable Reserves Total £'000
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non-current assets	1,180	0	0	1,180	(1,180)
Amortisation of fixed assets	5	0	0	5	(5)
Capital grants and contributions applied	(3,538)	0	0	(3,538)	3,538
Revenue expenditure funded from capital under statute	3,201	0	0	3,201	(3,201)
Revaluation Gains/Losses on non-current assets	1,116	0	0	1,116	(1,116)
Fair value of investment properties	(33)	0	0	(33)	33
Net carrying amount of current assets sold	252	0	0	252	(252)
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(327)	0	0	(327)	327
Capital expenditure charged against the GF	(9,340)	0	0	(9,340)	9,340
Adjustments primarily involving the Capital Receipts Reserve					
Transfer of cash sale proceeds credited as part of the gain/loss on disposal / unattached receipts to the CIES	(331)	331	0	0	0
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(571)	0	(571)	571
Adjustments primarily involving the Capital Grants Unapplied Account					
Application of grants to capital financing	0	0	(33)	(33)	33
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements	(2,788)	0	0	(2,788)	2,788
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	1,370	0	0	1,370	(1,370)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,347)	0	0	(2,347)	2,347
Adjustments primarily involving the Accumulated Absences Account					
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	98	0	0	98	(98)
Total Adjustments	(11,483)	(239)	(33)	(11,755)	11,755

2024/25 Restated	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Useable Reserves Total £'000	Unusable Reserves Total £'000
Adjustments involving the Capital Adjustment Account					
Reversal of items debited or credited to the CIES:					
Charges for depreciation and impairment of non-current assets	954	0	0	954	(954)
Amortisation of fixed assets	5	0	0	5	(5)
Capital grants and contributions applied	(2,083)	0	0	(2,083)	2,083
Revenue expenditure funded from capital under statute	1,891	0	0	1,891	(1,891)
Revaluation gains/losses on non-current assets	1,522	0	0	1,522	(1,522)
Fair value of investment properties	(60)	0	0	(60)	60
Insertion of items not debited or credited to the CIES:					
Statutory provision for the financing of capital investment	(338)	0	0	(338)	338
Capital expenditure charged against the GF	(479)	0	0	(479)	479
Adjustments primarily involving the Capital Receipts Reserve					
Use of the Capital Receipts Reserve to finance new capital expenditure	0	(9,197)	0	(9,197)	9,197
Adjustments primarily involving the Capital Grants Unapplied Account					
Application of grants to capital financing	0	0	(220)	(220)	220
Grants Reconciliation resulting in adjustments to be made	0	251	(251)	0	0
Adjustments involving the Financial Instruments Adjustment Account					
Amount by which finance costs charged to the CIES are different from finance costs chargeable in the year in accordance with statutory requirements	(24)	0	0	(24)	24
Adjustments primarily involving the Collection Fund Adjustment Account					
Amount by which council tax income credited to the CIES is different from the council tax income calculated for the year in accordance with statutory requirements	5,520	0	0	5,520	(5,520)
Adjustments involving the Pensions Reserve					
Reversal of items relating to retirement benefits debited or credited to the CIES	1,599	0	0	1,599	(1,599)
Employer's pensions contributions and direct payments to pensioners payable in the year	(2,135)	0	0	(2,135)	2,135
Total Adjustments	6,372	(8,946)	(471)	(3,045)	3,045

13.0 Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General Fund in Earmarked Reserves to provide financing for future expenditure plans and the amounts transferred back from earmarked reserves to meet general fund expenditure in 2025/26.

The Council's policy is that the General Fund unallocated balance is maintained at 20% of the Council's net expenditure with the balance transferred to the budget surplus reserve and reallocated against other earmarked reserves.

	Restated Balance at 1 April 2024 £'000	Transfers Out £'000	Restated Transfers In £'000	Restated Balance at 31 March 2025 £'000	Transfers Out £'000	Transfers In £'000	Balance at 31 March 2026 £'000
Budget Surplus Reserve	0	336	0	336	0	(336)	0
Projects, Risks & Smoothing Reserve	(3,977)	722	(338)	(3,593)	3,368	(2,411)	(2,636)
Capital & Contracts Reserve	(3,042)	0	(15)	(3,057)	3,122	(402)	(337)
Transformation Reserve	(2,186)	167	(83)	(2,102)	1,206	0	(896)
Community, Economic & Infrastructure Reserve	(2,186)	0	0	(2,186)	68	(28)	(2,146)
Commercial Investment Reserve	(1,229)	0	0	(1,229)	1,229	0	0
Collection Fund Reserve	(1,000)	0	0	(1,000)	817	(67)	(250)
Corporate Plan & Strategy Reserve	(1,909)	0	0	(1,909)	870	(11)	(1,050)
Financial Sustainability Reserve	(2,977)	0	(7,934)	(10,911)	9,073	(5,591)	(7,429)
Business Rate Reserve	0	0	(1,699)	(1,699)	0	0	(1,699)
Local Government Review	0	0	0	0	0	(1,000)	(1,000)
Political Priorities	0	0	0	0	0	(1,000)	(1,000)
	(18,506)	1,225	(10,070)	(27,351)	19,753	(10,845)	(18,443)

14.0 Property, Plant and Equipment

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or valuation at 1 April 2025	52,069	4,729	424	3,897	55	61,174
Additions from capital expenditure	5,256	4,857	0	20	111	10,244
Revaluation and indexation increases recognised in Revaluation Reserve	3,259	0	0	0	0	3,259
Revaluation and indexation decreases recognised in Surplus/Deficit on Provision of Services	(1,199)	0	0	0	0	(1,199)
Impairment losses recognised in Surplus/Deficit on Provision of Services	(40)	0	0	0	0	(40)
Derecognition and Disposals	0	(971)	0	(78)	0	(1,049)
Reclassifications	29	0	0	0	(29)	0
At 31 March 2026	59,374	8,615	424	3,839	137	72,389
Accumulated depreciation and impairment at 1 April 2025	(10)	(3,127)	(125)	(288)	0	(3,550)
Depreciation charge in year	(795)	(278)	(9)	(46)	0	(1,128)
Impairment losses recognised in Surplus/Deficit on Provision of Services	0	(12)	0	0	0	(12)
Revaluation and indexation increases recognised in Revaluation Reserve	721	0	0	0	0	721
Revaluation and indexation increases recognised in Surplus/Deficit on Provision of Services	84	0	0	0	0	84
Depreciation written out on disposal	0	971	0	77	0	1,048
At 31 March 2026	0	(2,446)	(134)	(257)	0	(2,837)
Net book value						
At 31 March 2026	59,374	6,170	290	3,583	137	69,554
At 31 March 2025	52,059	1,602	299	3,609	55	57,625

	Other Land and Buildings £'000	Vehicles, Plant and Equipment £'000	Infrastructure Assets £'000	Community Assets £'000	Assets Under Construction £'000	Total Property, Plant and Equipment £'000
Cost or valuation at 1 April 2024 Restated	45,466	3,536	424	1,927	773	52,126
Initial recognition of right of use assets as at 1st April 2024	393	0	0	0	0	393
Additions from capital expenditure	6,648	1,253	0	1,995	76	9,972
Additions of right of use assets	10	0	0	0	0	10
Revaluation increases recognised in Revaluation Reserve	815	0	0	0	0	815
Revaluation decreases recognised in Surplus/Deficit on Provision of Services	(1,356)	0	0	0	(174)	(1,530)
Derecognition	0	(60)	0	(336)	0	(396)
Reclassifications:						
to Held for Sale	0	0	0	0	(215)	(215)
to Other Assets	94	0	0	311	(405)	0
At 31 March 2025	52,069	4,729	424	3,897	55	61,174
Accumulated depreciation and impairment at 1 April 2024 Restated	(739)	(2,943)	(116)	(234)	0	(4,032)
Depreciation charge in year	(647)	(244)	(9)	(54)	0	(954)
Depreciation on revaluations written out to the Revaluation Reserve	1,368	0	0	0	0	1,368
Depreciation on revaluations written out to the CIES	8	0	0	0	0	8
Reclassifications:						
to Other Assets	0	60	0	0	0	60
At 31 March 2025	(10)	(3,127)	(125)	(288)	0	(3,550)
Net book value						
At 31 March 2025	52,059	1,602	299	3,609	55	57,625
At 31 March 2024	44,727	593	308	1,693	773	48,094

14.1 Depreciation

All assets which attract a charge for depreciation are depreciated using the straight-line method, assuming no residual value. The valuers have assessed the remaining weighted average useful life of each asset as part of the valuation exercise. The Council has taken these estimated useful lives into account when calculating depreciation. For each category of asset, the useful lives used are as follows:

- Land and buildings – Buildings: minimum 49 years, maximum 56 years; Land is not depreciated (in line with the Code and standard practice);
- Vehicles, plant, and equipment – minimum 4 years, maximum 10 years;
- Infrastructure assets – minimum 10 years, maximum 25 years.

Certain assets have not been depreciated for the following reasons:

- Community assets – mainly freehold land which is not depreciable.

14.2 Capital Commitments

At 31 March 2026, the Council had not entered into any contracts for the construction or enhancement of property, plant and equipment which would constitute as a capital commitment.

14.3 Valuation of Plant, Property and Equipment

The Council's policy with regard to the valuation of tangible fixed assets is that assets held in the balance sheet at fair value are formally revalued to a five-year rolling programme, although any material changes to valuations are adjusted in the interim period. As part of the rolling programme, a selection of assets was revalued by Wilks Head & Eve LLP Chartered Surveyors with a valuation date of 31 March 2026.

Where not explicitly stated otherwise, revaluations have been completed by Mr G Harbord MA MRICS IRRV (Hons) a qualified valuer and a partner of Wilks Head & Eve LLP.

The significant assumptions applied in estimating fair values are:

- that good title can be shown, and all valid planning permissions and statutory approvals are in place
- that the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted
- that an inspection of those parts not inspected would not reveal defects that would affect valuation
- that the testing of electrical or other services would not reveal defects that would cause the valuation to alter
- that there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation

Land and Buildings / Asset Held for Sale – valued in accordance with International Financial Reporting Standards as applied to the United Kingdom public sector interpreted by the current CIPFA Code of Practice for Local Authority Accounting. The valuations are made in accordance with the Red Book Valuation, in so far as they are consistent with the IFRS standards and CIPFA interpretation, (RICS UKVS 1.12).

Any departure from these standards is listed below:

- the instant building approach has been adopted. For assets valued at depreciated replacement cost, no building periods, nor consequential finance costs have been reflected in their valuations, this has been valued in accordance with UKVS 1.15 in addition to UKGN2 of the red book.

Vehicles, Plant, etc. Infrastructure, Community & AUC Assets – based on Historic Cost.

	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Assets Under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Carried at Historic Cost:						
31 March 2026	0	6,170	290	3,583	137	10,180
Valued at Fair Value:						
31 March 2026	36,765	0	0	0	0	36,765
31 March 2025	22,205	0	0	0	0	22,204
Valued lease liability:						
31 March 2025	404	0	0	0	0	404
As at 31 March 2026	59,374	6,170	290	3,583	137	69,554

14.4 Indexation

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

Full revaluations are carried out in accordance with RICS Red Book requirements, while indexation reflects market-based movements applied in intervening periods. Although the valuation approaches differ, both are treated equally for accounting purposes under the revaluation model.

Index	Indexation rate applied %	Valuation change £'000
DRC - Buildings	+2.24%	56
DRC - Land	-2.95%	(1)
Office	+0.43%	27
Residential	+1.33%	7
Total indexation applied in 2025/26		88

15.0 Investment Properties

- **Land at the former Cattle Market site** - the Council, as lessor, maintains a lease with Sainsbury's Supermarkets Ltd for land at the former cattle market site, now used as a retail park, with integrated car parking. The freehold remains an asset of the Authority. The lease of the land is for a period of 80 years expiring on 22 December 2071. Annual rental is the sum of one peppercorn (if demanded). Initial cost of the asset predates 1992.
- **Welland Park Café** - the Council, as lessor, maintains a lease for the café premises at Welland Park. The freehold remains an asset of the authority. The lease of the premise is for a period of 5 years which expired on 31 July 2020. Annual rental has been set at a level consistent with current market rates. Under the Landlord and Tenant Act the lease has continued under the same terms while talks are ongoing around a new lease.
- **Doddridge Road Office (Jubilee Memorial Hall)** - the Council, as lessor, maintains a lease for the office premises at Doddridge Road to HF Trust Ltd. The freehold remains an asset of the authority. A new lease for these premises was signed in 2022 for a period of six years expiring on 8 May 2028. Annual rental has been set at a level consistent with current market rates. At the end of the lease period, vacant possession of the premises is given back to the Council.
- **Land at Symington Recreation Ground** - the Council, as lessor, maintains a lease for a parcel of land (the former Symington Recreation Bowling Club) at the Symington Recreation Ground to Harborough Youth and Community Trust, including a building constructed under a licence to alter, which will revert to the Council on expiry of the lease. The freehold remains an asset of the authority. The lease of the land is for a period of 28 years expiring on 8 August 2040. Annual rental is the sum of one peppercorn (if demanded). At the end of the lease period, vacant possession of the land (and premises) is given back to the Council.

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

2024/25 £'000		2025/26 £'000
1,135	Balance at 1 April	1,195
60	Net gains from fair value adjustments	33
<u>1,195</u>	Balance at 31 March	<u>1,228</u>

16. Leases

The authority has adopted IFRS 16 Leases as a mandatory standard from 1st April 2024.

The authority's lease contracts comprise entirely of operational land and buildings. All are of immaterial value.

16.1 Right-of-use Assets

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

2024/25 £'000		2025/26 £'000
393	Balance at 1 April	394
10	Additions	0
(10)	Depreciation	(13)
0	Accumulated depreciation written out on revaluation and indexation	23
<u>394</u>	Balance at 31 March	<u>404</u>

16.2 Transactions under leases

The authority incurred £5,392 of interest expenses and cash flows in relation to leases in 2025/26 (£735 2024/25). These were charged to the Comprehensive Income and Expenditure Statement.

16.3 Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments)

31 March 2025		31 March 2026
8	Less than one year	13
38	Between one and five years	16
12	More than five years	6
<u>58</u>		<u>35</u>

17. Debtors

Income is recognised in the accounts when it becomes due. Income that is due but has not been received at the end of the financial year is carried under the debtors heading in the balance sheet.

This debtor balance is reviewed at each year end to assess the recoverability of the sums due and where it is doubtful debts will be settled the balance of debtors is written down and an impairment charge made to the relevant account for the income that might not be collected. This assessment is carried out using the council's past experience and current knowledge of collection rates for different groups of debtors.

Restated 31 March 2025 £'000		31 March 2026 £'000
2,179	Trade receivables	910
3,418	Accrued income	1,858
2,132	Collection fund debtors	1,566
1,832	Loan to subsidiary company	1,832
296	Other receivables	765
<u>9,858</u>		<u>6,931</u>

18. Cash and Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours.

Restated 31 March 2025 £'000		31 March 2026 £'000
3,758	Bank current accounts	3,835
<u>3,758</u>		<u>3,835</u>

19. Creditors

Creditors are all amounts owed by the council as at 31 March.

19.1 Short-Term Creditors

Restated 31 March 2025 £'000		31 March 2026 £'000
	Short-term creditors	
(55)	Trade payables	(499)
(8,153)	Accrued expenditure	(4,998)
(6,420)	Collection fund creditors	(6,673)
(1,222)	Other payables	(1,142)
<u>(15,851)</u>		<u>(13,312)</u>

19.2 Long-Term Creditors

31 March 2025 £'000		31 March 2026 £'000
	Long-term creditors	
(561)	Other payables	(413)
<u>(561)</u>		<u>(413)</u>

20. Provisions

Due to the localisation of Business Rates, which became effective from 1 April 2013, the Council has set aside a provision for any potential liabilities as a result of Business Rate payers' appeals against rateable valuations. The Council is responsible for a 40% share of this liability.

	Business Rates Appeals Provision £'000	Outstanding Legal Cases £'000	Total £'000
Balance at 1 April 2025	(2,595)	(12)	(2,606)
Additional provision made in year	(4,360)	(10)	(4,370)
Amounts used in year	5,687	0	5,687
Unused amounts reversed in year	0	12	12
Balance at 31 March 2026	<u>(1,268)</u>	<u>(10)</u>	<u>(1,278)</u>

21. Grant Income and Other Contributions

In 2025/26, Harborough District Council credited the following grants and contributions to the Comprehensive Income and Expenditure Statement.

2024/25 £'000		2025/26 £'000
	Credited to taxation and non-specific grant income	
(4,406)	Small business rate relief section 31 grant	(3,338)
(1,204)	New home bonus	(896)
(1,765)	Other DLUHC	(3,276)
(2,175)	Capital grant and contributions	(3,620)
<u>(9,550)</u>		<u>(11,130)</u>
	Credited to services	
(7,671)	Rent allowance subsidy	(5,828)
(242)	Housing benefit admin grant	(190)
(140)	NNDR Cost of collection	(142)
(2,099)	UK Shared prosperity fund	(765)
101	Other DLUHC	(363)
(70)	DWP	(17)
(19)	DEFRA	(27)
(64)	Leicestershire County Council	(89)
(606)	Other specific grants	(56)
(500)	Disabled facilities / Lightbulb project	(559)
<u>(11,310)</u>		<u>(8,036)</u>

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

Restated 2024/25 £'000		2025/26 £'000
	Revenue grants received in advance	
(436)	Specific grants	(645)
<u>(436)</u>		<u>(645)</u>
	Long-term liabilities:	
(11,424)	S106 Developer contributions	(10,889)
(2,173)	Other capital grants	(1,368)
<u>(13,596)</u>		<u>(12,257)</u>

22. Unusable reserves

Restated 31 March 2025 £'000		Note	31 March 2026 £'000
(23,480)	Revaluation Reserve	23	(27,040)
(26,629)	Capital Adjustment Account	24	(35,136)
4,097	Collection Fund Adjustment Account	25	1,309
7,580	Pensions Reserve	26	12,349
233	Financial Instruments Adjustment Account		233
84	Accumulated Absences Account		182
<u>(38,115)</u>			<u>(48,103)</u>

23. Revaluation reserve

The Revaluation Reserve contains the gains made by the council arising from increases in the value of its Property, Plant and Equipment. 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
- disposed of and the gains are realised.

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

2024/25 £'000		2025/26 £'000
(21,727)	Restated Balance at 1 April	(23,480)
(1,368)	Write-back of accumulated depreciation on revaluations and indexation	(721)
(4,668)	Upward revaluation and indexation of assets	(3,415)
3,854	Downward revaluation or impairment losses not charged to the surplus/deficit on the provision of services	156
<u>(2,182)</u>	Surplus on Revaluation of Property, Plant and Equipment Assets	<u>(3,980)</u>
429	Difference between fair value depreciation and historical cost depreciation - written off to the Capital Adjustment Account	419
<u>(23,480)</u>	Balance at 31 March	<u>(27,040)</u>

24. Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements in accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (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 council as finance for the costs of acquisition, construction and enhancement. The account also contains accumulated gains and losses on Investment Property.

Restated 31 March 2025 £'000		31 March 2026 £'000
(18,195)	Balance at 1 April	(26,629)
	Reversal of items relating to capital expenditure debited or credited to the CIES	
954	Charges for depreciation and impairment of Non-current Assets	1,180
1,522	Revaluation losses on Property, Plant & Equipment	1,116
5	Amortisation of Intangible Assets	5
1,891	Revenue Expenditure Funded from Capital Under Statute	3,201
0	Amounts of current assets written off on disposal as part of the gain/loss on disposal to the CIES	252
4,372		5,753
(429)	Adjusting amounts written out of the Revaluation Reserve	(419)
3,943	Net written off amount on the cost of non-current assets consumed in the year	5,334
	Capital financing applied in the year	
(9,197)	Use of Capital Receipts Reserve to finance new capital expenditure	(571)
(479)	Capital expenditure charged to the General Fund	(9,340)
(2,083)	Capital grants and contributions credited to the CIES that have been applied to capital financing	(3,538)
(220)	Application of grants to capital financing from the Capital Grants Unapplied Account	(33)
(338)	Statutory provision for the financing of capital investment charged against the General Fund balances (MRP)	(327)
(12,317)		(13,809)
	Investment Property fair values	
(60)	Movement in the market value of Investment Properties debited or credited to the CIES	(33)
(26,629)	Balance at 31 March	(35,136)

25. Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax income and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax and non-domestic rate payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

31 March 2025 £'000		31 March 2026 £'000
(1,423)	Balance at 1 April	4,097
5,520	Amount by which council tax and non-domestic rates income credited to the CIES is different from council tax and non-domestic income calculated for the year in accordance with statutory requirements	(2,788)
<u>4,097</u>	Balance at 31 March	<u>1,309</u>

26. Pension Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements in accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income and Expenditure Statement as the benefits are earned by employees accruing' years of service, updating the liabilities recognised to reflect inflation and changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory arrangements require benefits earned to be financed at the time the council makes the employer contributions to pension funds or eventually pays any pensions for which it is directly responsible.

31 March 2025 £'000		31 March 2026 £'000
8,677	Balance at 1 April	7,580
(11,178)	Remeasurements of the net defined benefit liability/(asset)	2,408
10,617	Adjustment to reflect asset ceiling	5,558
0	Other experience	(2,220)
<u>(561)</u>		<u>5,746</u>
1,599	Reversal of items relating to retirement benefits credited to the Surplus or Deficit on Provision of Services in the CIES	1,370
(2,135)	Employer's pensions contributions and direct payments to pensioners payable in the year	(2,347)
<u>7,580</u>	Balance at 31 March	<u>12,349</u>

27. Financial Instruments Balances

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability (or equity instrument) of another entity.

27.1 Financial Assets

The following categories of financial instrument are carried on the balance sheet as financial assets:

31 March 2025			31 March 2026	
Long-Term £'000	Restated Current £'000		Long-Term £'000	Current £'000
		Investments and Cash & Cash Equivalents		
1,268	0	Fair Value through Profit and Loss	1,268	0
2,150	37,000	Amortised Cost	2,150	29,000
3,418	37,000		3,418	29,000
		Debtors		
0	5,435	Amortised Cost	0	3,935
3,418	42,435	Total Financial Assets	3,418	32,935
0	4,423	Non-Financial Assets - Debtors	0	2,996
3,418	46,858	Total	3,418	35,931

27.2 Financial Liabilities

The following categories of financial instrument are carried on the balance sheet as financial liabilities:

31 March 2025			31 March 2026	
Long-Term £'000	Restated Current £'000		Long-Term £'000	Current £'000
		Borrowings		
(1,468)	(15)	Amortised Cost	(1,468)	0
		Creditors		
0	(55)	Amortised Cost	0	(499)
(1,468)	(70)	Total Financial Liabilities	(1,468)	(499)
(561)	(15,796)	Non-Financial Liabilities - Creditors	(413)	(12,813)
(2,029)	(15,866)	Total	(1,881)	(13,312)

27.3 Income, Expense, Gains and Losses

The gains and losses recognised in the Comprehensive Income and Expenditure Statement in relation to financial instruments are made up as follows:

2024/25 £'000		2025/26 £'000
	Surplus or Deficit on the Provision of Services	
(24)	Net gains/losses on financial assets measured at fair value through profit or loss	0
	Interest Revenue:	
(2,366)	Financial assets measured at amortised cost	(1,700)
(479)	Other financial assets measured at fair value through profit or loss	(383)
(2,845)		(2,083)
74	Interest Expense	62

27.4 Fair Value of Financial Assets

Some of the Council's financial assets are measured in the Balance Sheet at fair value on a recurring basis and are described in the following table, included the valuation techniques used to measure them.

31 March 2025 £'000	Recurring fair value measurements Fair Value through Profit and Loss	Input level in fair value hierarchy	Valuation technique used to measure fair value	31 March 2026 £'000
1,268	CCLA Property Fund	Level 1	Unadjusted quoted price in active markets for identical shares	1,268

The Council holds 456,149 units in the CCLA Property Fund, the fair value has been calculated using the bid price which has been supplied by the fund manager. The other long-term investment is shares in the Council's wholly owned subsidiary Harborough District Commercial Services Ltd which are carried at historic cost as group accounts are prepared.

Except for the financial assets above, all other financial liabilities and financial assets represented by amortised cost and long-term debtors and creditors are carried on the balance sheet at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that take place over the remaining life of the instruments (Level 2), using the following assumptions:

- For loans from the Public Works Loan Board (PWLB) payable, new loan rates from the PWLB have been applied to provide the fair value under PWLB debt redemption procedures. An additional note to the tables sets out the alternative fair value measurement applying the premature repayment, highlighting the impact of the alternative valuation.

- No early repayment of impairment is recognised.
- Where an instrument has a maturity of less than 12 months or is a trade or other receivable the fair value is taken to be the carrying amount or the billed amount.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

31 March 2025			31 March 2026	
Restated Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
(1,467)	(1,282)	PWLB Debt	(1,468)	(1,227)
(55)	(55)	Short-Term Creditors	(499)	(499)
(1,522)	(1,337)	Total Liabilities	(1,967)	(1,726)

This year the fair value of the liabilities were assessed to be the same carrying amount as the previous year.

The council has used the new loan rate to calculate the fair value of the PWLB debt above. The fair value based on the premature repayment rate is £1.227m. These measure the economic effect of the terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The difference between the carrying amount and the fair value measures the additional interest that the authority will pay over the remaining terms of the loans under the agreements with the PWLB, against what would be paid if the loans were at prevailing market rates. Short-term debtors and creditors are carried at cost as this is a fair approximation of their value.

31 March 2025			31 March 2026	
Restated Carrying Amount	Fair Value		Carrying Amount	Fair Value
£'000	£'000		£'000	£'000
37,000	37,000	Short-Term Investments	29,000	29,000
3,418	3,418	Long-Term Investments	3,418	3,418
9,858	9,858	Short-Term Debtors	6,931	6,931
50,276	50,276	Total Assets	39,349	39,349

27.5 The Nature and Extent of Risk Arising from Financial Instruments

27.5.1 Key Risks

The Council's activities expose it to a variety of financial risks; the key risks are:

- Credit risk – the possibility that other parties might fail to pay amounts due to the Council
- Liquidity risk – the possibility that the Council might not have funds available to meet its commitments to make payments
- Market risk - the possibility that financial loss might arise for the Council as a result of changes in such measures as interest rates movements.

27.5.2 Overall Procedures for Managing Risk

The Council's overall risk management procedures focus 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 under procedures approved by the council. Overall, these procedures require the Council to manage risk in the following ways:

- by approving annually in advance prudential indicators for the following three years limiting:
 - the Council's overall borrowing
 - its maximum & minimum exposures to fixed and variable rates
 - its maximum & minimum exposures to the maturity structure of its debt
 - its maximum annual exposures to investments maturing beyond a year.
- by approving an investment strategy for the forthcoming year setting out its criteria for both investing and selecting investment counterparties in compliance with government guidance.
- these are required to be reported and approved at or before the Council's annual Council Tax setting budget. These items are reported with the annual treasury management strategy which outlines the detailed approach to managing risk in relation to the Council's financial instrument exposure. Actual performance is also reported annually to Members.

These policies are implemented by the Finance Services team. The Council maintains 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 through Treasury Management Practices (TMPs).

27.6 Credit risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. Deposits are not made with banks and financial institutions unless they meet the minimum requirements of the investment criteria outlined above.

The following significant inputs, assumptions and estimation techniques have been used in calculating impairment loss allowances:

- a simplified approach using a credit matrix has been applied to trade receivables and lease receivables.

- an expected credit loss model using historic default rate data from the three main credit agencies was applied to short term investments and repayment reviewed.
- an assessment of the loan to the wholly owned subsidiary company concluded there was 0% chance of default.

27.7 Liquidity risk

The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the Money Markets and the Public Works Loans Board. There is therefore no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Instead, the risk is that the Council will be bound to replenish a significant proportion of its borrowings at a time of unfavourable interest rates. The approved prudential indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks, and the central treasury team address the operational risks within the approved parameters.

The maturity analysis of financial liabilities is such that the whole balance of £1.468m (£1.468m 2024/25) has a maturity in excess of twenty years.

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

27.8 Market risk

27.8.1 Interest rate risk - The Council has limited exposure to interest rate movements on its borrowings and investments. But movements on interest rates have a complex impact. For instance, a rise in interest rates would have the following effects:

- borrowings at variable rates – the interest debited 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 credited to the Surplus or Deficit on the Provision of Services will rise
- investments at fixed rates – the fair value of assets will fall.

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council's prudential indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a prudential indicator is set which provides maximum and minimum limits for fixed and variable interest rate exposure. The Finance team will monitor market and forecast interest rates within the year to adjust exposures appropriately.

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

	£'000
Increase in interest receivable on variable rate investments	(381)
Impact on Surplus or Deficit on the Provision of Services	(381)

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

27.8.2 Price risk - The Council, excluding the pension fund, does not generally invest in instruments with this type of risk. It does have an investment in a property fund which is classified as fair value through profit or loss meaning that all the movements in price will impact on gains and losses recognised in the Surplus or Deficit on the Provision of Services subject to a statutory override given by the Ministry of Housing, Communities and Local Government for the years to 31 March 2023 and extended by the Department for Levelling Up, Housing and Communities for 2 years to 31 March 2025.

27.8.3 Foreign exchange risk - The Council has no financial assets or liabilities denominated in foreign currencies. It therefore has no exposure to loss arising from movements in exchange rates.

28. Cash Flow Statement – Operating activities

The cash flows for operating activities include the following items:

2024/25		2025/26
£'000		£'000
2,366	Interest received	1,847
(74)	Interest paid	(84)
589	Dividends received	383
<u><u>2,882</u></u>		<u><u>2,146</u></u>

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

2024/25		2025/26
£'000		£'000
954	Depreciation	1,180
1,522	Impairment and downward valuations	1,116
5	Amortisation	5
(2,933)	Increase/(decrease) in creditors	(2,686)
1,067	(Increase)/decrease in debtors	2,927
11	(Increase)/decrease in inventories	(41)
(536)	Movement in pension liability	(977)
0	Carrying amount of non-current assets and non-current assets held for sale, sold or derecognised	252
1,162	Other non-cash items charged to the net surplus or deficit on the provision of services	(1,914)
<u>1,252</u>		<u>(139)</u>

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

2024/25		2025/26
£'000		£'000
113,031	Proceeds from short-term and long-term investments	184,542
0	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	(215)
(2,083)	Any other items for which the cash effects are investing or financing cash flows	(3,654)
<u>110,948</u>		<u>180,673</u>

29. Cash Flow Statement – Investing activities

2024/25		2025/26
£'000		£'000
(5,047)	Purchase of Property, Plant & Equipment, Investment Property and Intangible Assets	(10,281)
(101,083)	Purchase of short-term and long-term investments	(176,441)
0	Proceeds from the sale of Property, Plant & Equipment, Investment Property and Intangible Assets	215
(31)	Proceeds from short-term and long-term investments	(42)
4,266	Other payments and receipts for investing activities	2,371
<u>(101,895)</u>		<u>(184,178)</u>

30. Cash Flow Statement – Financing activities

2024/25 £'000		2025/26 £'000
0	Cash payments for the reduction of outstanding liabilities relating to leases	(19)
(13,894)	Other payments for financing activities	819
<u>(13,894)</u>		<u>800</u>

31. Cash Flow Statement – Reconciliation of liabilities arising from financing activities

	1 April 2024 £'000	31 March 2025 £'000	Financing Cashflows £'000	31 March 2026 £'000
Long-term borrowing	(1,468)	(1,468)	0	(1,468)
Short-term borrowing	(15)	(15)	15	0
	<u>(1,483)</u>	<u>(1,483)</u>	<u>15</u>	<u>(1,468)</u>

32. Members Allowances

The Council paid the following amounts to members of the Council during the year.

31 March 2025 £'000		31 March 2026 £'000
340	Allowances	333
21	Expenses	42
<u>361</u>		<u>375</u>

33. Related Party Transactions

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council, or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government has significant influence over the general operations of the Council - it is responsible for providing the statutory framework within which the Council operates, Harbourough District Council

provides the majority of its funding in the form of grants, and prescribes the terms of many of the transactions that the Council has with other parties (e.g., council tax bills, housing benefits). See the Grant Income note to these accounts for further information.

Other public bodies Leicestershire County Council, the Combined Fire Authority, the Police & Crime Commissioner for Leicestershire, and Parish Councils all issue precepts on the Council which are included in the Collection Fund.

Blaby District Council provides a building control service as part of a partnership comprising of five Councils. They also provide the Light Bulb Project, a service which helps older and vulnerable Leicestershire residents stay safe and well in their own homes.

Hinckley & Bosworth Borough Council provide a Revenues and Benefits service as part of a partnership comprising of three Councils.

Members of the Council have direct control over the Council's financial and operating policies. All contracts were entered into in full compliance with the Council's Standing Orders. All transactions are recorded in the Register of Members' Interests which is open to public inspection. See the Member Allowances note in these accounts for further details. During 2025/26 there were no significant payments to or receipts from parties in which Members had an interest.

Officers of the Council reported no related party transactions apart from that noted below.

Entities controlled by the Council

The Council controls Harborough District Commercial Services Ltd through its ownership of 100% of the shares of the company (2,150,000 ordinary shares of £1 each). 2018/19 was the first year of operation. The Council has provided a loan facility to the company of up to £2,522,500 and up to £100,000 solely for working capital purposes. On 15 March 2019, a long term (40 years) loan of £1,832,141 was made towards the acquisition of property. Interest is charged at 6%.

As the balance sheet date, the Council's Deputy Chief Executive, Elizabeth Elliot and Cat Hartley were directors of the company. Harborough District Commercial Services Ltd has been consolidated into the Council's Group Accounts.

34. Officers' Remuneration

The Council is required to disclose the number of officers whose remuneration in the year amounted to £50,000 or more, starting at that level and rising in bands of £5,000. For this purpose, remuneration is deemed to be the total of all sums paid to or receivable by an officer, sums due by way of expense allowances, and the monetary value of benefits received other than in cash. Pension contributions payable by either the employee or the Council are excluded. The following tables both include senior officers of the Council.

Remuneration Band	2024/25 No.	2025/26 No.
£50,000 to £54,999	3	2
£55,000 to £59,999	1	2
£60,000 to £64,999	1	2
£65,000 to £69,999	8	5
£70,000 to £74,999	0	2
£75,000 to £79,999	0	1
£80,000 to £85,999	3	2
£85,000 to £89,999	1	2
£90,000 to £94,999	0	1
£95,000 to £99,999	0	0
£100,000 to £104,999	0	0
£105,000 to £109,999	0	0
£110,000 to £114,999	1	0
£115,000 to £119,999	0	1
£120,000 to £124,999	0	0
£125,000 to £129,999	0	1

The remuneration of Senior Officers whose salary was more than £50,000 in 2025/26 is as follows:

Post Holder		Salary, Fees and Allowances	Expense Allowances	Pension Contributions	Total
Chief Executive	2025/26	128,751	0	28,718	157,469
	2024/25	121,894	3,636	26,573	152,103
Deputy Chief Executive	2025/26	80,502	0	2,917	83,419
	2024/25	84,038	96	0	84,134
Director of Resources	2025/26	90,917	163	19,522	110,602
	2024/25	88,298	387	30,795	119,480
Director of Communities and Wellbeing	2025/26	87,455	0	18,868	106,323
	2024/25	83,122	240	18,121	101,483
Director of Planning & Regeneration	2025/26	87,455	390	18,868	106,713
	2024/25	84,743	989	18,474	104,206
Head of Legal Service (see note a)	2025/26	41,618	396	8,874	50,888
	2024/25	60,894	582	12,227	73,702
Head of Democratic Services (see note b)	2025/26	67,494	0	7,548	75,042
	2024/25	0	0	0	0

No amounts included in the above table are outside the Council's policies in respect of salary, benefits, expenses, redundancy or pensions.

Note a) the Head of Legal Service left the Council in 2025.

Note b) the Head of Democratic Services became the Monitoring Officer in July 2025. They started as a temporary member of staff and was made permanent in October 2025.

35. Termination Benefits

	Number of Compulsory Redundancies		Number of Other Departures		Total number of Exit packages		Total cost of exit packages £000's	
	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26	2024/25	2025/26
£0 to £20,000	1	0	1	1	2	1	4	3

36. External Audit Cost

Harborough District Council incurred costs in relation to the audit of the statement of accounts. For 2025/26 the fees payable with regard to external audit services carried out by the appointed auditor totalled £146k (2024/25 £142k).

37. Capital Expenditure and Sources of Finance

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 finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred by the authority that has yet to be financed. The CFR is analysed in the second part of this note.

2024/25 £'000		2025/26 £'000
13,404	Opening Capital Financing Requirement	13,077
	Capital Investment	
10,089	Property Plant & Equipment	10,244
0	Assets Held For Sale	37
10	Right of Use Assets	0
1,891	Revenue Expenditure Funded from Capital under Statute	3,201
	Source of finance	
(9,197)	Capital Receipts	(571)
(479)	Direct Revenue Funding	(9,340)
(2,303)	Government Grants & Other Contributions	(3,571)
(338)	Sums set aside from revenue (MRP)	(327)
13,077	Closing Capital Finance Requirement	12,750
	Movement in Year	
327	(Increase)/Decrease in underlying need to borrow (unsupported by Government financial assistance)	327
10	Assets acquired under Finance Leases	0
337	(Increase)/Decrease in Capital Financing Requirement	327

38. Material Items of Income and Expense

Where items are not disclosed on the face of the Comprehensive Income and Expenditure statement the code requires a separate note to provide information.

There were no material items of income.

	2025/26
	£'000
Expenditure	
Housing service - rent allowances	6,947
Capital expenditure - refuse collection vehicles	3,886
Capital expenditure - The Symington Building	1,680
Capital expenditure - Welham Lane waste depot site	1,596

39. Defined Benefit Pension Scheme

39.1 Participation in the Pension Scheme

Harborough District Council offers retirement benefits to its staff as part of their terms and conditions of employment. Though these benefits are not payable until employees reach retirement, the Council is committed to making the payments which need to be disclosed at the time that employees earn their future entitlement.

The Council participates in the Local Government Pension Scheme administered by Leicestershire County Council. This is a defined benefit pension scheme, which means that the Council and employees pay contributions into a fund, calculated at a level estimated to balance the pension liabilities with investment assets. In addition, the Council has made arrangements for the payment of added years to certain retired employees outside the provisions of the scheme, the estimated outstanding liability was £556k as at 31 March 2026 (£605k as at 31 March 2025).

39.2 Transactions Relating to Post-employment Benefits

The cost of retirement benefits is accounted for in the reported cost of services when they are earned by employees, rather than when the benefits are actually paid as pensions. However, the charge the Council is required to make against council tax is based on the cash payable in the year, so the real cost of retirement benefits is reversed out of the General Fund via the Movement in Reserves Statement. The following transactions have been made in the Comprehensive Income and Expenditure Statement and the General Fund via the Movement in Reserves Statement during the year.

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Current Service Cost	1,200	971	0	0
Financing and Investment				
Interest income on scheme assets	(3,193)	(4,037)	0	0
Interest cost on defined benefit obligation	3,105	3,211	0	0
Interest on the effect of the asset ceiling	487	1,225	0	0
Total net interest	399	399	0	0
Total post-employment benefit charged to the Surplus/Deficit on the Provision of Services	1,599	1,370	0	0
Remeasurement of the net defined benefit liability comprising of				
Return on plan assets excluding amounts included in the net interest expense	781	2,973	0	0
Actuarial losses arising from changes in demographic assumptions	113	963	0	0
Actuarial losses arising from changes in financial assumptions	9,637	1,271	23	(27)
Other experience (gains)/losses	624	(7,588)	0	0
Changes in the effect of the asset ceiling	(10,617)	(5,558)	0	0
Total remeasurement recognised in other comprehensive income	538	(7,939)	23	(27)
Total post-employment benefit charged to the CIES	2,137	(6,569)	23	(27)
Movement in Reserves Statement				
Reversal of net charges made to the Surplus/Deficit on the Provision of Services	(1,599)	(1,370)	0	0
Actual amount charged against the General Fund Balance for Pensions in the Year:				
Employer's contributions payable to the scheme	2,058	2,268	0	0
Retirement benefits payable to pensioners	0	0	77	79

The Actuary has projected the total pension expense for the year to 31 March 2027 at £2.065m.

39.3 Pensions Assets and Liabilities recognised in the Balance Sheet

The amount included in the Balance Sheet arising from the Authority's obligation in respect of its defined pension benefit plan is as follows:

31 March 2025 £'000		31 March 2026 £'000
69,710	Fair value of plan assets	78,722
(55,547)	Present value of funded liabilities	(62,597)
(605)	Present value of unfunded liabilities	(553)
(21,138)	Effect of asset ceiling	(27,921)
<hr/>		<hr/>
(7,580)	Net liability arising from defined benefit obligation	(12,349)
<hr/> <hr/>		<hr/> <hr/>

The liabilities show the underlying commitments that the Council has in the long run to pay retirement benefits. The net pension liability of £12.349m has an impact on the net worth of the authority as recorded in the balance sheet. However, statutory arrangements for funding the deficit mean that the financial position of the authority remains healthy. The deficit will be made good by increased contributions to the scheme over the remaining working life of employees, in the light of the performance of the fund as assessed by the scheme actuary.

The table above shows that the fair value of plan assets exceeds the present value of total liabilities by £15.569m, which is the net pension asset.

IAS 19 states that when a local authority has a surplus in a defined benefit plan, it is required to consider the recoverability of any such asset. There must be an economic benefit available to the employer to enable this recovery, for example through reduced pension contributions or a cash refund.

The Code requires the net defined benefit asset to be measured at the lower of

- the surplus in the defined benefit plan, and
- the asset ceiling determined using the discount rate specified in the Code.

The asset ceiling is a specified estimate of the present value of the economic benefit that the employer can realise (i.e. either through refunds or by reduction in future pension contributions).

The Council commissioned the Actuary for the pension fund to produce an additional report setting out the asset ceiling calculation. This has demonstrated that the economic benefits available as a reduction in future contributions is lower, meaning there is an additional liability to recognise. An adjustment of £27.921m is therefore required to the net asset referred to above, and results in the inclusion of a net pension liability of £12.352m in the balance sheet.

A reconciliation of present of scheme liabilities (defined benefit obligation) is calculated as follows:

	Local Government Pension Scheme		Discretionary Benefits (Unfunded)	
	2024/25 £'000	2025/26 £'000	2024/25 £'000	2025/26 £'000
Opening balance at 1 April	63,960	55,547	718	618
Current service cost	1,200	971	0	0
Interest Cost	3,105	3,211	0	0
Contributions by scheme participants	434	495	0	0
Remeasurement (gains) and losses				
Actuarial gains from changes in demographic assumptions	(113)	(963)	0	0
Actuarial gains from changes in financial assumptions	(9,637)	(1,271)	(23)	27
Other (gains)/losses	(624)	7,588	0	0
Estimated unfunded benefits paid	0	0	(77)	(79)
Benefits paid	(2,778)	(2,981)	0	0
Closing balance at 31 March	55,547	62,597	618	566

The reconciliation of the movements in fair value of scheme (plan) assets is shown below.

31 March 2025 £'000		31 March 2026 £'000
66,022	Opening fair value of scheme assets balance as at 1 April	69,710
3,193	Interest income on plan assets	4,037
434	Contributions by employees into the scheme	495
2,058	Contributions by the employer	2,268
	Remeasurement gain/(loss)	
781	Return on plan assets excluding amount included in net interest	2,973
(2,778)	Benefits paid	(2,981)
0	Other experience gains	2,220
69,710	Closing fair value of scheme assets balance at 31 March	78,722

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 at the balance sheet date and returns on equities reflect long term real rates of return in the respective markets.

Pension Scheme assets are comprised of:

31 March 2025				31 March 2026				
Quoted £'000	Unquoted £'000	Total £'000	Percentage of Total Assets %	Asset category	Quoted £'000	Unquoted £'000	Total £'000	Percentage of Total Assets %
				Equity Securities				
64.6	-	64.6	0%	Consumer	69.7	-	69.7	0%
60.9	-	60.9	0%	Manufacturing	104.7	-	104.7	0%
62.0	0.4	62.4	0%	Energy & Utilities	96.4	-	96.4	0%
73.2	-	73.2	0%	Financial Institutions	76.6	-	76.6	0%
91.8	-	91.8	0%	Health & Care	48.4	-	48.4	0%
1.6	-	1.6	0%	Information Tech	5.0	-	5.0	0%
99.2	-	99.2	0%	Other	184.6	-	184.6	0%
				Debt Securities				
2,550.7	7.1	2,557.8	4%	UK Government	2,859.8	7.3	2,867.1	4%
358.4	-	358.4	1%	Other	814.2	-	814.2	2%
-	4,044.3	4,044.3	6%	Private Equity	-	4,147.6	4,147.6	5%
-	4,771.3	4,771.3	7%	Real Estate UK Property	-	4,685.5	4,685.5	6%
				Investment Funds and Unit Trusts				
29,531.5	125.0	29,656.5	43%	Equities	34,612.7	-	34,612.7	44%
0.2	-	0.2	0%	Hedge Funds	-	-	-	0%
-	1,402.5	1,402.5	2%	Commodities	137.8	1,507.1	1,644.9	2%
-	6,431.4	6,431.4	9%	Infrastructure	-	7,154.7	7,154.7	9%
8,639.3	4,904.6	13,543.9	19%	Other	11,180.9	4,599.1	15,780.0	20%
(348.0)	-	(348.0)	0%	Derivatives Foreign Exchange	40.5	-	40.5	0%
6,838.0	-	6,838.0	9%	Cash and Cash Equivalents	6,389.4	-	6,389.4	8%
48,023	21,687	69,710	100%		56,621	22,101	78,722	100%

39.4 Basis for Estimating Assets & Liabilities

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

The main assumptions used in their calculations are:

31 March 2025		31 March 2026
Mortality assumptions		
	Longevity at 65 for current pensioners	
21.6	Men	22.6
24.4	Women	25.0
	Longevity at 65 for future pensioners	
22.4	Men	23.4
25.9	Women	26.5
Economic assumptions		
2.75%	Rate of inflation	3.00%
3.25%	Rate of increase in salaries	3.50%
5.80%	Rate for discounting scheme liabilities	6.20%
55.00%	Take-up of option to convert annual pension into retirement grant	70.00%

Under the projected unit method current service costs will increase for any scheme where the age profile of the active membership is significantly rising, as the members of the scheme approach retirement age. This is not currently the case in this Authority.

Change in assumptions at 31 March 2026:	Approximate % increase to Employer Liability	Approximate monetary amount (£'000)
0.1% decrease in real discount rate	1%	917
1 Year increase in member life expectancy	4%	2,526
0.1% increase in the salary increase rate	0%	41
0.1% increase in the pension increase rate	1%	875

Further information can be found in Leicestershire County Council's Pension Fund Annual Report, which is available on request from Leicestershire County Council.

40. Contingent Assets and Liabilities

The Council had no contingent assets but does have the following contingent liability:

Municipal Mutual Insurance Limited (MMI)

Municipal Mutual Insurance (MMI) is an insurance company limited by guarantee and not having a share capital, which was established by a group of local authorities and incorporated under the Companies Acts 1862 to 1900 on 13 March 1903. The Company suffered substantial losses between 1990 and 1992. These losses reduced MMI's net assets to a level below the minimum regulatory solvency requirement.

In September 1992 MMI ceased to write new, or to renew, general insurance business. The Company is subject to a contingent Scheme of Arrangement under section 425 of the Companies Act 1985 which became effective on 21 January 1994. On 13 November 2012, the directors of the Company concluded that the terms of the Scheme of Arrangement should be triggered. A levy notice was issued based on 25% of the value of total claims carried forward exceeding £50,000 to 31 March 2025. This was a total of £8,799, which has all been paid in previous years. The Scheme Administrators will continue to review on an annual basis and may incur costs in the future.

41. Prior Period Adjustments

As part of the authority's commitment to continuous review and improvement, a lengthy exercise has been completed to ensure that the Council has robust supporting documents for each one of its S106 contributions and grants. As part of that process, £189k was discovered to be incorrect on the Balance Sheet previously published prior to 31st March 2024. This has resulted in a prior period adjustment needing to be disclosed for the opening balance sheet values. Going forward, a process of regular reconciliation has been introduced to limit the errors being repeated.

Effect on the Balance Sheet at 31 March 2024	Balance as Previously Stated £'000	S106 and Grants £'000	Balance Restated £'000
Grants Receipts in Advance - Capital	(9,952)	(185)	(10,137)
Long Term Liabilities	(20,325)	(185)	(20,510)
Net Assets	64,207	(185)	64,022
Usable Reserves	31,884	(185)	31,669
Total Reserves	64,207	(185)	64,022

As part of the continuous review process, it was also discovered that the Minimum Revenue Provision (MRP) had been overstated for 2024/25. This has resulted in an adjustment being made for £421k. The error was due to a change in staff resources.

During the audit of the 2024/25 Statement of Accounts, it was found that capital expenditure totalling £873k for leisure centres had been capitalised as Other Land & Buildings whereas it was actually equipment and should be categorised under Vehicles, Plant & Equipment. It was agreed with external auditors that this would be reviewed in the coming year and subsequently, 2024/25 figures have changed. This has not resulted in a change to Long-term Assets on the Balance Sheet as both asset categories are within Property, Plant & Equipment, but it has increased the amount of the revaluation going to the Revaluation Reserve in Unusable Reserves.

Other adjustments were also made to Property, Plant & Equipment for reversal of previous impairments and a re-evaluation of the one of the asset valuations done in the prior year. Whilst the adjustments were immaterial in value, it was decided to make period year change for these for completeness and accuracy.

The prior period adjustments mentioned above have impacted on the following primary statements:

Effect on the Balance Sheet at 31 March 2025	Balance as Previously Stated £'000	S106 and Grants £'000	PPE £'000	MRP £'000	Bank Reconciliation and Suspense Clearing £'000	Balance Restated £'000
Property, Plant & Equipment	56,495	0	1,130	0	0	57,625
Long Term Assets	61,259	0	1,130	0	0	62,389
Short Term Debtors	10,375	0	0	0	(517)	9,858
Cash and Cash Equivalents	3,406	0	0	0	351	3,757
Current Assets	51,101	0	0	0	(166)	50,935
Short Term Creditors	(16,071)	0	0	0	220	(15,851)
Grants Receipts in Advance - Revenue	(419)	0	0	0	(17)	(436)
Current Liabilities	(19,112)	0	0	0	203	(18,909)
Grants Receipts in Advance - Capital	(13,411)	(185)	0	0	0	(13,596)
Long Term Liabilities	(23,020)	(185)	0	0	0	(23,205)
Net Assets	70,228	(185)	1,130	0	37	71,209
Usable Reserves	32,822	0	(185)	421	37	33,095
Unusable Reserves	37,406	0	1,130	(421)	0	38,115
Total Reserves	70,228	0	945	0	37	71,209

Effect on the Comprehensive Income & Expenditure Statement 2024/25	Total as Previously Stated Net £'000	PPE Net £'000	Bank Reconciliation and Suspense Clearing Net £'000	Total Restated Net £'000
Resources	3,626	(61)	(82)	3,483
Communities & Wellbeing	9,492	(54)	(44)	9,394
Cost of Services	19,385	(116)	(126)	19,143
Financing and Investment Income and Expenditure	(1,792)	(229)	(69)	(2,090)
(Surplus)/Deficit on Provision of Services	(4,075)	(345)	(195)	(4,615)
(Surplus)/Deficit on Revaluation of Property, Plant and Equipment Assets	(1,398)	(784)	0	(2,182)
	(1,398)	(784)	0	(2,182)
Total Comprehensive (Income) and Expenditure	(6,034)	(1,129)	(195)	(7,358)

Effect on the Movement in Reserves Statement 2024/25	Total Authority Reserves as Previously Stated £'000	PPE £'000	S106 and Grants £'000	Bank Reconciliation and Suspense Clearing £'000	Total Authority Reserves Restated £'000
Balance as 31 March 2024 carried forward: Capital Grants Unapplied Account	1,236	0	(163)	0	1,073
Surplus/(Deficit) on Provision of Services	4,075	229	116	195	4,615
Other Comprehensive Income and Expenditure	1,959	784	0	0	2,743
Total Comprehensive Income and Expenditure	6,034	1,129	0	195	7,358
Net Increase/Decrease before Transfers to Earmarked Reserves	6,034	1,129	0	0	7,358
Balance at 31 March 2025 carried forward	70,241	1,129	(163)	0	71,207

Effect on the Cash Flow Statement 2024/25	Balance as Previously Stated £'000	PPE £'000	Bank Reconciliation and Suspense Clearing £'000	Balance Restated £'000
Net (surplus)/ deficit on the provision of Services	(4,075)	(345)	(195)	(4,615)
Adjustments to net (surplus)/deficit on the provision of services for non - cash movements	1,622	345	(715)	1,252

42.0 Date of Authorisation

The Statement of Accounts was authorised for issue by Clive Mason FCPFA, Director of Resources (& s.151 Officer) on 29 June 2026.

COLLECTION FUND

2024/25			2025/26		
£'000	£'000	£'000	£'000	£'000	£'000
Council Tax	NNDR	Total	Council Tax	NNDR	Total
			Income		
(88,107)	0	(88,107)	(94,276)	0	(94,276)
0	(63,060)	(63,060)	0	(63,165)	(63,165)
(88,107)	(63,060)	(151,167)	(94,276)	(63,165)	(157,441)
			Expenditure		
86,114	0	86,114	92,014	0	92,014
					0
0	36,488	36,488	0	33,632	33,632
0	6,568	6,568	0	6,054	6,054
0	730	730	0	673	673
0	29,190	29,190	0	26,905	26,905
0	0	0		138	138
0	126	126	0	142	142
0	140	140	0	(3,785)	(3,785)
397	93	490	583	51	634
0	97	97	0	0	0
0	235	235	0	468	468
1,745	3,090	4,835	57	(7,688)	(7,631)
88,256	76,757	165,013	92,654	56,590	149,244
(1,603)	(3,039)	(4,642)	(1,454)	10,658	9,204
149	13,697	13,846	(1,622)	(6,575)	(8,197)
(1,454)	10,658	9,204	(3,076)	4,083	1,007

1. General

The Collection Fund is an agent's statement that reflects the Council's transactions, as a billing authority, in relation to the collection of Council Tax and Business Rates from taxpayers, and its distribution to local government bodies and the Government. Billing authorities have a statutory obligation to maintain a Collection Fund as a separate account to the General Fund. The administrative costs associated with the collection of Council Tax and Business Rates are, however, charged to the General Fund.

The surplus or deficit on the Collection Fund in relation to Council Tax is credited or charged to the relevant precepting bodies in the subsequent finance year, in proportion to the precepts levied by those organisations. The precepting bodies are Leicestershire County Council (LCC), The Office of the Police and Crime Commissioner for Leicester, Leicestershire and Rutland (OPCC) and the Leicestershire, Leicester and Rutland Combined Fire Authority (CFA).

The Local Government Finance Act 2012 introduced the current business rates retention system from 1 April 2013. The main aim of the scheme is to give local authorities a greater incentive to encourage business growth. The scheme allows the Council to retain 40% of the total rates received, and the preceptors; Central Government (50%), LCC (9%) and CFA (1%). The surplus or deficit is credited or charged to the relevant precepting bodies in the subsequent financial year in line with their respective proportions.

Leicestershire County Council along with Leicester City Council, the CFA and all Leicestershire District Councils agreed to operate a pooling agreement for business rates levies and safety net payments for 2025/26, the Leicester and Leicestershire Pool (LLP). Leicestershire County Council was the lead authority for the LLP.

2. Council Tax Income and the Council Tax Base

Council Tax income is derived from charges according to the value of residential properties that have been classified into 8 valuation bands. Individual charges are determined by dividing the demands and precepts of the Council, the County Council, the Police and Crime Commissioner and the Fire Authority by the Council Tax base. The Council Tax base is the total number of properties in each valuation band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts. The Band D Council Tax for 2025/26 was £6,584.1 (£6,531.9 in 2024/25). The charge for all other bands is calculated by multiplying the Band D charge by the appropriate ratio for each band.

Income from Council Taxpayers in 2025/26 was £94.276m.

The Council Tax Base used for setting the 2025/26 Council Tax was calculated as follows:

	Dwellings in Banding List	Net effect of premiums and discounts	Adjusted Amount for Council Tax Band	Proportion of Band D Tax	Equivalent Band D Dwellings (to one decimal place)
AR	9	(3.6)	5.4	5/9	3.0
A	4,754	(1,607.3)	3,146.7	6/9	2,097.8
B	9,748	(1,983.6)	7,764.4	7/9	6,039.0
C	8,617	(1,244.9)	7,372.1	8/9	6,553.0
D	7,089	(504.9)	6,584.1	1	6,584.1
E	7,333	(480.3)	6,852.7	11/9	8,375.5
F	4,098	(205.1)	3,892.9	13/9	5,623.1
G	2,819	(159.0)	2,660.1	15/9	4,433.4
H	257	(21.9)	235.1	18/9	470.2
Irrecoverable allowance					(602.7)
Tax Base for the Calculation of Council Tax					39,576.4

* - adjustments include Disabled Persons Exemptions, Exempt Properties and Discounts.

3. Business Rate Income

The Council collects National Non-Domestic Rates (NNDR) for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. In previous financial years the total amount due, less certain allowances, was paid to a central pool (the NNDR pool) administered by Central Government, which, in turn, paid to Local Authorities their share of the pool, such shares being based on a standard amount per head of the local adult population.

The business rates shares payable for 2025/26 were estimated before the start of the financial year as £33.632m to Central Government, £6.727m to the Preceptors and £26.905m to Harborough District Council. These sums have been paid in 2025/26 and charged to the collection fund in year.

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Harborough District Council pays a tariff to the value of £17.972m via the Pool.

The total income from business rate payers collected in 2025/26 was £63.165m (£63.060m in 2024/25). The business rate multiplier set by the Government for 2025/26 was 55.5p (54.6p in 2024/25) or 49.9p for small businesses (no change from 2024/25).

The total rateable value as at 31 March 2026 was £142.514m (31 March 2025 £111.987m).

4. Precepts and Demands on the Collection Fund – Council Tax

2024/25		2025/26
£'000		£'000
9,459	Harborough District Council	10,155
62,337	Leicestershire County Council	66,548
11,141	Office of the Police and Crime Commissioner for Leicester, Leicestershire and Rutland	11,882
3,178	Leicestershire, Leicester and Rutland Combined Fire Authority	3,429
<u><u>86,115</u></u>		<u><u>92,014</u></u>

5. Collection Fund Surpluses – Council Tax

The precepts above are shown net of the contribution towards previous years estimated surpluses, which comprise the following:

2024/25		2025/26
£'000		£'000
181	Harborough District Council	189
1,154	Leicestershire County Council	1,269
207	Office of the Police and Crime Commissioner for Leicester, Leicestershire and Rutland	230
60	Leicestershire, Leicester and Rutland Combined Fire Authority	67
<u><u>1,602</u></u>		<u><u>1,753</u></u>

6. Collection Fund Balances

The balance carried forward on the Collection Fund at 31 March 2026 comprises a Council Tax surplus of £3.076m (£1.453m surplus at 31 March 2025). Any surplus or deficit relating to Council Tax must be shared between the Council and the major precepting authorities in proportion to the value of the precepts or demands which they each levy. The share owed to major precepting authorities at 31 March 2026 is £1.753m and this appears as a creditor on the balance sheet (£0.798m as at 31 March 2025). The Council's own share of the Council Tax surplus, £326k is shown in the net worth section of the balance sheet (£160k surplus at 31 March 2025).

Also included in the Collection Fund for 2025/26 is an amount of £468k related to a decrease in the provision for appeals for NNDR (£681k decrease in 2024/25). The council has accounted for our share of this provision, which cumulatively amounts to £1.268m (£2.5m 2024/25). The remainder relates to preceptors' shares.

GROUP ACCOUNTS

The CIPFA Code of Practice requires that where the Council has material financial interests and a significant level of control over one or more entities, it should prepare group accounts. The aim of these statements is to give an overall picture of the Council's financial activities and the resources employed in carrying out those activities.

The following statements consolidate the financial transactions of Harborough District Commercial Services Ltd, incorporated on 2 January 2019, with the Council.

GROUP COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT

Restated 2024/25				2025/26		
Exp £'000	Inc £'000	Net £'000		Exp £'000	Inc £'000	Net £'000
321	0	321	Chief Executive	289	0	289
4,246	(734)	3,512	Deputy Chief Executive	5,790	(636)	5,154
13,789	(10,306)	3,483	Resources	13,464	(9,005)	7,179
18,171	(8,778)	9,394	Communities & Wellbeing	20,093	(7,604)	12,489
3,196	(1,106)	2,089	Planning	3,021	(2,282)	739
39,723	(20,925)	18,798	Cost Of Services	42,656	(19,526)	23,130
2,532	0	2,532	Other Operating Expenditure	2,901	(80)	2,821
1,841	(3,802)	(1,961)	Financing and Investment Income & Expenditure	1,325	(2,370)	(1,046)
6,443	(30,643)	(24,199)	Taxation and Non-Specific Grant Income & Expenditure	7,353	(35,487)	(28,134)
50,539	(55,369)	(4,830)	(Surplus) / Deficit on Provision of Services	54,235	(57,463)	(3,228)
		(2,182)	Surplus on Revaluation of Property, Plant & Equipment Assets			(3,980)
		(561)	Remeasurement of Net Defined Benefit Liability/(Asset)			7,966
		(2,743)	Other Comprehensive Income and Expenditure			3,986
		(7,573)	Total Comprehensive Income and Expenditure			758

GROUP MOVEMENT IN RESERVES STATEMENT

	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2025 carried forward	4,425	27,351	239	602	32,618	38,115	70,733
Movements in Reserves during 2025/26							
Surplus/(Deficit) on Provision of Services	2,988	0	0	0	2,988	0	2,988
Other Comprehensive Income and Expenditure	0	0	0	0	0	(1,766)	(1,766)
Total Comprehensive Income and Expenditure	2,988	0	0	0	2,988	(1,766)	1,221
Adjustments between accounting basis and funding basis under regulations	(11,483)	0	(239)	(33)	(11,755)	11,755	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	(8,495)	0	(239)	(33)	(8,767)	9,989	1,221
Transfers to/from Earmarked Reserves	8,907	(8,907)	0	0	0	0	0
Increase/(Decrease) in Year	412	(8,907)	(239)	(33)	(8,767)	9,989	1,221
Balance at 31 March 2026 carried forward	4,838	18,444	0	569	23,851	48,103	71,954

	General Fund £'000	Earmarked Reserves £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied Account £'000	Total Usable Reserves £'000	Total Unusable Reserves £'000	Total Authority Reserves £'000
Balance at 31 March 2024 carried forward restated	2,552	18,506	8,903	1,073	31,034	32,325	63,359
Movements in Reserves during 2024/25 restated							
Surplus/(Deficit) on Provision of Services	4,774	0	0	0	4,774	0	4,774
Other Comprehensive Income and Expenditure	0	0	0	0	0	2,743	2,743
Total Comprehensive Income and Expenditure	4,774	0	0	0	4,774	2,743	7,517
Adjustments between accounting basis and funding basis under regulations	6,370	0	(8,946)	(471)	(3,047)	3,047	0
Net Increase/(Decrease) before Transfers to Earmarked Reserves	11,144	0	(8,946)	(471)	1,727	5,790	7,517
Transfers to/from Earmarked Reserves	(9,270)	8,845	283	0	(143)	0	(143)
Increase/(Decrease) in Year	1,873	8,845	(8,663)	(471)	1,584	5,790	7,374
Balance at 31 March 2025 carried forward	4,425	27,351	240	602	32,618	38,115	70,733

GROUP BALANCE SHEET

Restated 31 March 2025 £'000		31 March 2026 £'000
57,625	Property, Plant & Equipment	69,554
25	Heritage Assets	25
4,478	Investment Property	4,511
126	Intangible Assets	122
1,268	Long Term Investments	1,268
<u>63,521</u>	Long Term Assets	<u>75,479</u>
37,000	Short Term Investments	29,000
215	Assets Held for Sale	0
104	Inventories	145
9,883	Short Term Debtors	6,931
3,758	Cash and Cash Equivalents	3,835
<u>50,960</u>	Current Assets	<u>39,911</u>
(15)	Short Term Borrowing	0
(13,939)	Short Term Creditors	(11,403)
(2,606)	Provisions	(1,278)
(436)	Grants Receipts in Advance - Revenue	(645)
<u>(16,997)</u>	Current Liabilities	<u>(13,326)</u>
(1,468)	Long Term Borrowing	(1,468)
(561)	Long Term Creditors	(413)
(7,580)	Pension Liability Account	(12,349)
(13,596)	Grants Receipts in Advance - Capital	(12,257)
<u>(23,205)</u>	Long Term Liabilities	<u>(26,487)</u>
<u>74,279</u>	Net Assets	<u>75,577</u>
36,165	Useable Reserves	27,473
38,114	Unusable Reserves	48,103
<u>74,279</u>	Total Reserves	<u>75,576</u>



Clive Mason FCPFA
Director of Resources (& s.151 Officer)
Responsible Financial Officer
29 June 2026

GROUP CASH FLOW STATEMENT

Restated 2024/25 £'000		2025/26 £'000
4,615	Net Surplus/(Deficit) on the Provision of Services	2,922
1,252	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(139)
110,948	Adjustments for items included in the net surplus or deficit on the provision of services that are investing and financing activities	180,673
116,815	Net Cash Flows from Operating Activities	183,455
(101,895)	Investing Activities	(184,178)
(13,894)	Financing Activities	800
1,026	Net increase/(decrease) in Cash and Cash Equivalents	77
2,732	Cash and Cash Equivalents at the beginning of the reporting period	3,758
3,758	Cash and Cash Equivalents at the end of the reporting period	3,835

NOTES TO THE GROUP ACCOUNTS

1) General

Where figures in the group accounts differ materially from the Council's single entity accounts, the relevant explanatory notes have been prepared on a consolidated basis. The notes below give information on the areas that have materially changed on consolidation of the Council's wholly owned subsidiary company **Harborough District Commercial Services Ltd (HDCS)** into the Council's accounts.

2) Group Accounting Policies

The accounting policies of HDCS have been aligned with the Council's accounting policies contained in note 1. Any statutory adjustments between accounting basis and funding basis included in the Council's accounting policies do not apply to the subsidiary company.

3) Inclusion within the Group Accounts

The relation the Council has with an entity over which it has varying degrees of control or influence can be classified into the categories of subsidiary, associate, or joint venture. A subsidiary is an entity is controlled by another entity (the Council), known as the parent. HDCS is classified as a subsidiary of **Harborough District Council** and has therefore been consolidated. The Council does not have any material associate or joint venture arrangements with any other entities.

4) External Audit Fee

As well as the £146k incurred by **Harborough District Council** in relation to the audit of the statement of accounts, an additional £33k was payable to the auditor of HDCS regarding its audit.

5) Consolidation of HDCS

HDCS has been consolidated on a line-by-line basis with all intra-group transactions and balances removed. HDCS prepares its year end accounts to the same reporting date, 31 March 2026 as the Council.

The impact of the Companies activities upon the reserves of the Group are as follows:

	31 March 2025 £'000	In-year Movements 2025/26 £'000	31 March 2026 £'000
Harborough District Council Profit and Loss Reserve	695	66	761

In light of the above it is considered unnecessary to produce an Expenditure and Funding Statement for the Group.

The Assets and Liabilities of the Company at the Balance Sheet Date are as follows:

2025/26	HDCS Limited £'000	Inter- Company £'000	Group Adjustments £'000
Investment Property	3,283	0	3,283
Company share capital / Council investment	(2,150)	2,150	0
Short-term loan debtor/creditor	(1,832)	1,832	0
Debtors	0	0	0
Intercompany account	15	(15)	(77)
Creditors	(77)	0	(77)
	(761)	3,967	3,128

2024/25	HDCS Limited £'000	Inter- Company £'000	Group Adjustments £'000
Investment Property	3,283	0	3,283
Company share capital / Council investment	(2,150)	2,150	0
Short-term loan debtor/creditor	(1,832)	1,832	0
Debtors	25	0	25
Intercompany account	59	(59)	0
Creditors	(80)	0	(80)
	(695)	3,923	3,228

GLOSSARY OF TERMS

Accounts

A generic term for statements setting out details of income and expenditure or assets and liabilities or both in a structured manner. Accounts may be categorised by the type of transactions they record e.g., revenue accounts, capital accounts or by the purpose they serve e.g., management accounts, final accounts, balance sheets.

Accounting policies

Those principles, bases, conventions, rules and practices applied by an entity that specify how the effects of transactions and other events are to be reflected in its financial statements through:

- (a) recognising
- (b) selecting measurement bases for, and
- (c) presenting assets, liabilities, gains, losses and changes to reserves.

Accounting policies define the process whereby transactions and other events are reflected in financial statements. For example, an accounting policy for a particular type of expenditure may specify whether an asset or a loss is to be recognised; the basis on which it is to be measured; and where in the revenue account or balance sheet it is to be presented.

Accounting standards

A set of rules explaining how accounts are to be measured, maintained and reported. By law, local authorities must follow 'proper accounting practices', which are set out in Acts of Parliament and in professional codes and statements of recommended practices. These standards make comparability, among other things, possible.

Accrual

The recognition of income and expenditure as it is earned or incurred, as opposed to when cash is received or paid.

Amortisation

The reducing of the value of assets to reflect their reduced worth over time. The term means the same as depreciation, though in practice amortisation tends to be used solely in relation to intangible assets.

Auditors

Our external auditor is Grant Thornton UK LLP. They report to the council on a number of issues, but in this context, they provide assurance to the council that this statement of accounts 'presents fairly' the council's financial affairs and position.

Balance sheet

A statement of the recorded assets, liabilities and other balances at a specific date at the end of an accounting period.

Budget

A forecast of the council's planned expenditure. The level of council tax is set by reference to detailed revenue budgets. Budgets are reviewed during the course of the financial year

to take account of pay and price changes, and other factors affecting the level or cost of services.

Cabinet

The Cabinet is the executive board responsible for undertaking all of the council's functions, except those functions which are reserved to the full council or delegated to committees or officers. When the executive councillors meet collectively, they are known as the Cabinet.

Capital Adjustment Account

This account includes the amalgamated balances of the Property, Plant and Equipment Restatement Account and the Capital Financing Account at 31 March and holds financing transactions relating to capital expenditure.

Capital expenditure

Expenditure on the acquisition or enhancement of property, plant and equipment assets, Revenue Expenditure Financed by Capital under Statute (REFCUS), advances (loans) or grants to other individuals/organisations.

Capital receipts

Income received from the sale of property, plant and equipment assets.

CIPFA

CIPFA is the Chartered Institute of Public Finance and Accountancy, which is the leading professional accountancy body for public services.

Code of Practice on Local Authority Accounting in the United Kingdom

Issued by CIPFA, this is the guidance which is followed when preparing these statements. It provides expert support in dealing practically with the preparation of the year-end accounts and is the guidance by which every local authority must follow.

Collection fund

The fund into which are paid amounts of council tax and non-domestic rates, and from which are met demands by county and district councils and payments to the national non-domestic rates pool.

Community assets

Community assets are a class of property, plant and equipment assets which are expected to be held by the council in perpetuity. Examples include parks and cemeteries.

Contingent asset

An asset arising from past events, whereby its existence can only be confirmed by one or more uncertain future events not wholly within the control of the Council.

Contingent liability

A contingent liability is either:

A possible obligation arising from a past event whose existence will be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Council; or

A present obligation arising from past events where it is not probable that there will be an associated cost, or the amount of the obligation cannot be accurately measured.

Council tax

A local tax set by councils to help pay for local services. There is one bill per dwelling based on its relative value compared to others in the area. There are discounts for people with disabled persons exemptions and people with exempt property status.

Council Tax Base

The amount calculated for each billing authority which derives their council tax charge from their precept demand. The number of properties in each band is multiplied by the relevant band proportion to calculate the number of Band D equivalent properties in the area. The calculation allows for exemptions, discounts, appeals and a provision for non-collection.

Creditors

Amounts owed by the Council for goods and services received but not paid for as at 31 March.

Current service cost (pensions)

The increase in the present value of a defined scheme's liabilities, expected to arise from employee service in the current period.

Defined Benefit scheme

A pension or other retirement benefit scheme other than a defined contribution scheme. Usually, the scheme rules define the benefits independently of the contributions payable, and the benefits are not directly related to the investments of the scheme. The scheme may be funded or unfunded.

Depreciation

Depreciation is the measure of the consumption or wearing out of the useful economic life of a property, plant and equipment asset.

Events after the balance sheet date

Significant events, favourable and unfavourable, that occur between the Balance Sheet date and the date when the Statement of Accounts is authorised for issue.

Expected return on assets

For a defined benefit scheme, this is a measure of the return on the investment assets held by the plan for the year. It is not intended to reflect the actual realised return by the plan, but a longer-term measure based on the value of assets at the start of the year taking into account movements in assets during the year and an expected return factor.

Fair value

The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial instruments adjustment account

This account includes transactions relating to the reversal of the fair value adjustment from the Income and Expenditure account so as to neutralise the effect on the council taxpayer.

General Fund

This is the primary revenue account which records the cost of providing the majority of the council's services.

Housing Benefit

The housing benefit scheme is a national scheme administered at a local level by the council on the behalf of the Department for Work and Pensions. It is a means-tested service where the council can pay all, or part of, a household's rent or council tax, or both.

Housing benefit subsidy

The government reimburses the council for most of the housing benefit payments made to residents plus an allowance to cover the costs of administering the scheme.

Indexation

Indexation is the process of adjusting the value of assets, investments, or financial figures to account for inflation, ensuring that their real economic value is preserved over time.

Infrastructure assets

A class of assets whose life is of indefinite length, and which are not usually capable of being sold, such as highways and footpaths.

Intangible assets

'Non-financial' fixed assets that do not have physical substance but are identifiable and are controlled by the Council through custody or legal rights. Purchased intangibles, such as software licences, are capitalised at cost.

Interest cost

For defined benefit pension schemes the interest cost is the present value of the liabilities during the year as a result of moving one year closer to being paid.

Impairment

A reduction in the value of a property, plant and equipment asset below its carrying amount on the balance sheet.

International financial reporting standards (IFRS)

Since 2010/11 the council has had to prepare its statements in line with International Financial Reporting Standards. On implementation, this resulted in a significant change to the way budgets and accounts are prepared with different accounting treatment being applied to asset valuations, leases, some accruals and derivatives.

Leases

A contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. The lessee must recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. This applies to all leases, with exceptions for short-term leases and leases of low-value assets.

Liabilities

Amounts the authority either owes or anticipates owing to others, whether they are due for immediate payment or not.

Long term debtors

These debtors represent the income still to be received, for example, from the sale of an asset or the granting of a mortgage or a loan.

Minimum revenue provision (MRP)

The minimum amount that the council must charge to the revenue account in the year in respect of internal and external borrowing for capital purposes.

National non-domestic rates (NNDR) also known as Business Rates

The form of local taxation charged on non-residential premises at a level set by central government.

Net book value

The amount at which property, plant and equipment assets are included in the balance sheet i.e., their historical cost or fair value less the cumulative amounts provided for depreciation and impairment.

Net service expenditure

Comprises of all expenditure less all income, other than income from council tax and revenue support grant, in respect of a particular service.

Past service cost

The increase in the present value of the pension scheme liabilities, related to employee service in prior periods arising in the current period as a result of the introduction of, or improvement to, retirement benefits.

Precept

The charge made by another authority on the council to finance its net expenditure. The council currently has the following precepting authorities: Leicestershire County Council, The Office of the Police and Crime Commissioner for Leicester, Leicestershire and Rutland (OPCC), and the Leicestershire, Leicester and Rutland Combined Fire Authority (CFA) and all the town and parish councils in the district.

Prior period adjustments

The adjustments applicable to prior years arising from the correction of material errors.

Provisions

Amounts set aside for liabilities of uncertain timing or amount that have been incurred.

Related parties

This is defined under Financial Reporting Standard 8. The council is required to disclose material transactions with related parties, which can include central government, subsidiary and associated companies, the Pension Fund, other councils, and chief and senior officers. IAS24 requires attention to be drawn to the possibility the reported financial position may have been affected by the existence of related parties and by material transactions with them.

Remeasurement of the net defined benefit liability

For a defined benefit pension scheme, the changes in actuarial deficits or surpluses that arise because:

- (a) events have not coincided with the actuarial assumptions made for the last valuation (experience gains or losses); or
- (b) the actuarial assumptions have changed.

Remuneration

All sums paid to or receivable by an employee and sums due by way of expenses allowances and the money value of any other benefits received other than in cash (excludes employer pension contributions).

Reserves

The general capital and revenue balances of the council. There are two types of reserves which might be described as either available or not available to finance expenditure. Revenue reserves which result from monies being set aside or surpluses or delayed expenditure can be spent or earmarked at the discretion of the council (e.g., General Fund). The capital receipts reserve is also available to the extent allowed for by statute. However, other capital reserves are not available to meet expenditure, e.g., the capital adjustment account. Revaluation reserve This account includes transactions relating to the revaluation and impairment of the council's assets.

Revenue Expenditure

Day to day expenditure incurred in the provision of services including salaries and wages, transport and goods and services.

Revenue Expenditure Financed by Capital under Statute (REFCUS)

A type of capital expenditure which may be deferred but which does not give rise to tangible assets owned by the council. Examples are environmental grants and disabled facilities grants (grants to private individuals and companies to improve housing standards) and capital grants to other organisations.

Section 151 Officer

Another term to describe the Statutory Chief Financial Officer of the council with responsibilities as set out in the Statement of Responsibilities for the Statement of Accounts and within Section 151 of the Local Government Act.