



*Meeting:* **Corporate Governance Committee**

*Date/Time:* **Monday, 23 June 2025 at 10.00 am**

*Location:* **Sparkenhoe Committee Room, County Hall, Glenfield**

*Contact:* **Miss. G. Duckworth (tel: 0116 305 2583)**

*Email:* **[gemma.duckworth@leics.gov.uk](mailto:gemma.duckworth@leics.gov.uk)**

### **Membership**

Mr. M. Bools CC	Mrs. K. Knight CC
Mrs. N. Bottomley CC	Mr. J. Pilgrim
Mr. S. Bradshaw CC	Mr. J. McDonald CC
Mr. S. L. Bray CC	Mr. J. Miah CC
Mr. G. Cooke CC	Mr. J. T. Orson CC
Mr. K. Crook CC	Mr. D. Page CC
Mrs. L. Danks CC	Mr. B. Piper CC
Mr. G. Grimes	

### **AGENDA**

<u>Item</u>	<u>Report by</u>
1. Election of Chairman.	
2. Election of Vice Chairman.	
3. Minutes of the meeting held on 31 March 2025.	(Pages 3 - 8)
4. Question Time.	
5. Questions asked by members under Standing Order 7(3) and 7(5).	
6. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
7. Declarations of interest in respect of items on	

the agenda.

8. Presentation of Petitions under Standing Order 35.
9. Pension Fund External Audit Plan 2024/25. Director of Corporate Resources (Pages 9 - 52)
10. Annual Treasury Management Report 2024/25. Director of Corporate Resources (Pages 53 - 64)
11. Internal Audit Service - Annual Report 2024/25. Director of Corporate Resources (Pages 65 - 104)
12. Draft Annual Governance Statement 2024/25. Chief Executive and Director of Corporate Resources (Pages 105 - 130)
13. Risk Management Update. Director of Corporate Resources (Pages 131 - 146)
14. Annual Counter Fraud Report 2024/25. Director of Corporate Resources (Pages 147 - 174)
15. CIPFA Financial Management Code 2025/26. Director of Corporate Resources (Pages 175 - 198)
16. Annual Report on the Operations of Contract Procedure Rules. Director of Corporate Resources (Pages 199 - 214)
17. Dispensation for Elected Members. Director of Law and Governance (Pages 215 - 218)
18. Annual Report of the Corporate Governance Committee 2024/25. Director of Law and Governance and Director of Corporate Resources (Pages 219 - 236)
19. Date of next meeting.  
  
The next meeting of the Corporate Governance Committee will be held on Friday 19 September 2025 at 10.00am.
20. Any other items which the Chairman has decided to take as urgent.



Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Monday, 31 March 2025.

PRESENT

Mr. T. Barkley CC (in the Chair)

Mr. N. D. Bannister CC  
Mr. D. C. Bill MBE CC  
Mr. G. A. Boulter CC  
Mr. J. G. Coxon CC

Dr. R. K. A. Feltham CC  
Mr. G. Grimes  
Mr. T. J. Richardson CC

15. Minutes.

The minutes of the meeting held on 24 January 2025 were taken as read, confirmed and signed.

16. Question Time.

The Chief Executive reported that no questions had been received under Standing Order 34.

17. Questions asked by members under Standing Order 7(3) and 7(5).

The Chief Executive reported that no questions had been received under Standing Order 7(3) and 7(5).

18. Urgent items.

There were no urgent items for consideration.

19. Declarations of interest.

The Chairman invited members who wished to do so to declare any interest in respect of items on the agenda for the meeting.

No declarations were made.

20. Presentation of Petitions under Standing Order 35.

There were no petitions.

21. Regulation of Investigatory Powers Act 2000 and the Investigatory Powers Act 2016.

The Committee considered a report of the Director of Law and Governance which set out the Authority's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period 1 January 2024 to 31 January 2024. The report also asked the Committee to review the Covert Surveillance and the

Acquisition of Communications Data Policy Statement relating to RIPA and advised of an inspection undertaken by the Investigatory Powers Commissioner's Office. A copy of the report marked 'Agenda Item 7' is filed with these minutes.

Members welcomed the report and the outcome of the inspection which had only identified minor recommendations to improve what were already good standards adopted by the Service.

RESOLVED:

- (a) That the use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period from 1 January to 31 December 2024 be noted;
- (b) That the Council's Covert Surveillance and the Acquisition of Communications Data Policy Statement (which had not changed since approval by the Cabinet in March 2021) be confirmed as remaining fit for purpose;
- (c) That the Committee continue to receive an annual report on the use of RIPA and IPA powers.

22. External Audit Plan 2024/25.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the 2024/25 External Audit Plan for the County Council. A copy of the report marked 'Agenda Item 8' is filed with these minutes.

The Chairman welcomed Mr Timothy Lance, the Assistant Audit Manager from Grant Thornton LLP, the Council's external auditors, to the meeting.

Members noted that the Plan included the proposal to audit the Council's Oracle Fusion IT application and that this had been specifically selected because this system was used to create the accounts. Whilst the Council operated other IT systems which had not been included in the list of planned external audits, Members were reassured that these would still be subject to ad hoc testing by the Council's Internal Audit Service.

In response to questions raised Members were advised that IT audits were carried out by Grant Thornton's own IT audit team which had the technical expertise needed to carry out this work. Members noted that the audit would be similar to those carried out for other councils that also used this system.

RESOLVED:

That the External Audit Plan for 2024/25 be noted.

23. Resilience and Business Continuity Annual Update.

The Committee considered a report of the Chief Executive, the purpose of which was to provide an update on the Council's Resilience and Business Continuity activities, work undertaken with other Leicester, Leicestershire and Rutland (LLR) local authorities, and wider multi-agency resilience activities during the period April 2024 to the end of March 2025. A copy of the report marked 'Agenda Item 9' is filed with these minutes.



Arising from discussion, the following points were made:

- (i) Members welcomed the work of the resilience team and how well this worked in partnership across LLR. A Member raised concerns, however, regarding the potential level of fatigue and wellbeing amongst resilience officers given the number of incidents it had dealt with during the last year. Members were reassured that steps were being taken to identify if there were any issues around capacity and capability that needed to be addressed.
- (ii) It was noted that one role of resilience officers was to act as an adviser to managers on call during an incident. To potentially reduce burden of the level of support needed by some, a rolling programme of training had been launched for managers on grades 11 – 16. This would upskill over 1350 managers regarding procedures for dealing with incidents. In the longer term, training would also commence to upskill specific high level managers deemed to be practitioners in an incident.
- (iii) A Member queried whether the Council should reconsider its membership of the Local Governance Association (LGA) as a means of raising local concerns at a national level, for example, regarding funding for flooding impacts. It was noted that recent flooding in the area had resulted in joint correspondence being sent to the Government from all partners of the Local Resilience Forum with further support from local MPs. It was not thought that membership of the LGA would have added to this process. However, it was acknowledged that this would be a matter for the new Council to consider.
- (iv) A Member questioned, in the light of the recent power outage at Heathrow Airport, what arrangements were in place to ensure this did not happen at East Midland's Airport or at County Hall. It was noted that resilience exercises were undertaken to prepare for such events by the Council. Members were also reassured that County Hall had a back-up generator, and that information regarding vulnerable persons in the County were uploaded twice a day to a national system that would remain accessible during such an event which would enable officers to continue to support them. The Chief Executive advised that EMA Business Continuity Plans were not known to the Council.

#### RESOLVED:

That the annual report regarding the Council's Resilience and Business Continuity activities, work undertaken with other Leicester, Leicestershire and Rutland local authorities, and wider multi-agency resilience activities during the period April 2024 to the end of March 2025 be noted.

#### 24. Internal Audit Service - Progress Against 2024/25 Audit Plan for Leicestershire County Council and East Midlands Shared Services.

The Committee considered a report of the Director of Corporate Resources which provided, for the County Council, a summary of internal audit work undertaken during the period 1 November 2024 and 28 February 2025, an update on progress with implementing high importance recommendations as at 28 February 2025 and progress against the 2024-25 Internal Audit Plan. The report also advised of progress against East Midlands Shared Services 2024-25 Internal Audit Plan and plans for the delivery of

internal audit for 2025-26 and beyond. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from discussion, the following points were made:

- (i) It was noted that some audits had been delayed due to staffing issues within Departments. The Head of Internal Audit Service confirmed that these would now take place in 2025-26. In response to questions from Members the HoIAS undertook to confirm this with departments and to update the Committee if further delays were expected.
- (ii) The HoIAS confirmed that, as had happened some years ago, if the audits continued to be delayed by departments, the relevant Directors could be asked to attend a future Committee meeting to explain the reasoning for this.
- (iii) The Audit of CCTV within Care Homes would now be undertaken as part of a wider audit of CCTV generally. This work was on track, noting that for vulnerable adults in care homes, security was key.

RESOLVED:

- (a) That the updates on progress of work undertaken and the implementation of high importance recommendations (both as at 28 February 2025) be noted;
- (b) That progress against the 2025-25 Internal Audit Plan as at 28 February 2025 be noted;
- (c) That the Head of Internal Audit Service be requested to confirm with departments that 2024-25 audits which had been delayed would commence during 2025-26 and that they would have sufficient resources to support these.
- (d) That the update on the Audit Plan for East Midlands Shared Services 2024-25 and options for future years be noted.

25. Internal Audit Service - Annual Plan 2025/26.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present the Internal Audit Plan for 2025-26 for approval. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

It was requested and the Head of Internal Audit Service undertook to provide in future reports, greater clarity regarding the planned audits listed in the Appendix to the report, noting that audits titled 'Operation Whitehall' or 'Operation Imogen' did not provide adequation information for the Committee about what these audits related to.

RESOLVED:

- (a) That the Internal Audit Annual Plan 2025-26 be approved;
- (b) That the Internal Audit Annual Plan include more information in future to provide greater clarity regarding what the planned audits related to.

26. Implementation of the Global Internal Audit Standards in the UK Public Sector.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an update on plans to implement the new Global Internal Audit Standards in the UK Public Sector. A copy of the report, marked 'Agenda Item 12', is filed with these minutes.

RESOLVED:

- (a) That the work undertaken to respond to consultations on changes to internal audit standards be noted;
- (b) That the Director of Corporate Resources, following consultation with the Director of Law and Governance, be authorised to approve the arrangements for the implementation of the Global Internal Audit Standards, noting that the approved documents will be reported to the Committee at its meeting scheduled for 23 June 2025.

27. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to present update on risks included in the Corporate Risk Register, advise of the emerging risk relating to Local Government Reorganisation and to provide an update on counter fraud initiatives. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

A Member questioned if risks arising from the new waste collection and disposal arrangement coming into force from April 2026 had been captured. It was noted that this had likely been captured on the departmental risk register, however the Head of Internal Audit Service undertook to confirm this.

RESOLVED:

- (a) That the status of the corporate and strategic risks facing the County Council be approved;
- (b) That the Head of Internal Audit be requested to check if the risks arising from the new waste collection and disposal arrangement coming into force from April 2026 had been properly captured by the Environment and Transport Department;
- (c) That the Director be requested to provide a presentation at its next meeting regarding business continuity arrangements involving a cyber attack;
- (d) That the emerging risk regarding Local Government Reorganisation be noted;
- (e) That the update on counter fraud initiatives be noted.

28. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Monday, 23 June 2025 at 10.00am.

29. Chairman's Announcements.

The Chairman confirmed that neither he nor the Vice Chairman, Mr Richardson CC would be standing in the next County Council elections and so this would be their last meeting. The Chairman thanked Mr Richardson and all Members of the Committee and officers for all their support over the last few years.

The Members of the Committee thanked Mr Barkley for his outstanding chairmanship of the Committee, commenting that his experience, intelligence and tact and been a model of an excellent chairman.

10.00am – 11.08am  
31 March 2025

CHAIRMAN



## **CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **PENSION FUND EXTERNAL AUDIT PLAN 2024/25**

##### **Purpose**

1. To present the external Audit Plan for the 2024/25 Leicestershire Pension Fund accounts.

##### **External Audit Plan 2024/25**

2. A copy of the Audit Plan for the Pension Fund is attached as Appendix A. The Audit Plan for the County Council was presented to the Committee in March 2025.
3. The Audit Plan provides an overview of the planned scope and timing of the external audit.
4. Representatives from the Council's external auditors, Grant Thornton UK LLP, will attend the meeting in order to present the plan and answer any questions.
5. The significant risks identified by the external auditor for 2024/25 are summarised below: (mainly the same as in 2023/24)
  - Management override of controls – review of management controls over journals, accounting estimates and accounting policies.
  - Risk of fraud – review of business processes, accounting policies, and systems for recognition of income and expenditure.
  - Valuation of level 3 investments – review of the nature and basis of estimates used.
  - Valuation of directly held property – review of the valuation process and estimates used.
6. The headline materiality level for the audit opinion for the Pension Fund is £91.8m (£69m 2023/24), which equates to 1.44% of gross investment assets as at 31 March 2024. A separate limit of £27m (£25m 2023/24) applies to the Fund Account transactions, except for investment transactions, for which the headline materiality is applied.

7. ISA 315 requires the auditor to obtain an understanding of the IT infrastructure used by the Pension Fund including details of the processes that operate within the IT environment. The auditor will undertake a design effectiveness review of the accounting system (Oracle Fusion), the Pensions Administration System (Altair) and the pension data reporting system (Insights). A detailed IT audit of Oracle Fusion was undertaken as part of the 2023/24 audit, no significant issues were reported.
8. The detailed external audit work is planned to be carried out between July 2025 and September 2025 with the final audit opinion to be reported to this Committee by December 2025.
9. The proposed fee for the 2024/25 external audit is £98,470 (£95,123 in 2023/24). The 2024/25 audit is the second year of the five year contract that started in 2023/24. A contract update was provided to the Committee in September 2023 confirming that the Council and its Pension Fund had opted in to the Public Sector Auditor Appointments (PSAA) national scheme to appoint an external auditor.
10. Presentation of the Audit Plan to this Committee contributes towards the effective two-way communication between auditors and the Council's Corporate Governance Committee, as 'those charged with governance'.

#### **Production of Financial Statements 2024/25**

11. The draft financial accounts for the Pension Fund are underway and are planned to be completed by the end of June 2025 in line with the Accounts and Audit regulations.

#### **Recommendation**

12. The Committee is asked to note the attached reports and to provide any comments.

#### **Equality and Human Rights Implications**

13. None.

#### **Circulation Under the Local Issues Alert Procedure**

14. None.

#### **Background Papers**

15. Report to the Corporate Governance Committee – 31 March 2025: (LCC) External Audit Plan 2024-25  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7960&Ver=4>
16. Report to the Corporate Governance Committee – 24 January 2025: External Audit of the 2023/24 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7959&Ver=4>

17. Report to the Corporate Governance Committee – 6 December 2024: External Audit of the 2023/24 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts (Appendix A – Auditors Annual Report 2023/24 [VFM review])  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7724&Ver=4>
18. Report to the Corporate Governance Committee – 22 September 2023: Update on Audit Delays and PSAA Consultation on 2023/24 Audit Fees  
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7130&Ver=4>

### **Appendices:**

Appendix A – External Audit Plan (Pension Fund)

### **Officers to Contact**

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# The Audit Plan for Leicestershire Pension Fund

Year ending 31 March 2025

June 2025



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# **1 Key developments impacting our audit approach**

# Local Audit Reform

## External factors

### Proposals for an overhaul of the local audit system

On 18 December 2024, the Minister of State for Local Government and English Devolution, Jim McMahon OBE, wrote to local authority leaders and local audit firms to announce the launch of a strategy to overhaul the local audit system in England. The proposals were also laid in Parliament via a Written Ministerial Statement.

- The government's strategy paper sets out its intention to streamline and simplify the local audit system, bringing as many audit functions as possible into one place and also offering insights drawn from audits. A new Local Audit Office will be established, with responsibilities for:
- Coordinating the system – including leading the local audit system and championing auditors' statutory reporting powers;
- Contract management, procurement, commissioning and appointment of auditors to all eligible bodies;
- Setting the Code of Audit Practice;
- Oversight of the quality regulatory framework (inspection, enforcement and supervision) and professional bodies;
- Reporting, insights and guidance including the collation of reports made by auditors, national insights of local audit issues and guidance on the eligibility of auditors.

The Minister also advised that, building on the recommendations of Redmond, Kingman and others, the government will ensure the core underpinnings of the local audit system are fit for purpose. The strategy therefore includes a range of other measures, including:

- setting out the vision and key principles for the local audit system;
- committing to a review of the purpose and users of local accounts and audit and ensuring local accounts are fit for purpose, proportionate and relevant to account users;
- enhancing capacity and capability in the sector;
- strengthening relationships at all levels between local bodies and auditors to aid early warning system; and
- increased focus on the support auditors and local bodies need to rebuild assurance following the clearing of the local audit backlog.

### Our Response

Grant Thornton welcomes the proposals, which we believe are much needed, and are essential to restore trust and credibility to the sector. For our part, we are proud to have signed 83% of our 2022/23 local government audit opinions without having to apply the local authority backstop. This compares with an average of less than 30% sign off for other firms in the market. We will be keen to work with the Ministry of Housing, Communities and Local Government (MHCLG), with existing sector leaders and with the Local Audit Office as it is established to support a smooth transition to the new arrangements.

# Key developments impacting our audit approach

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## National Context

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### Administration and Governance

The total membership of the LGPS was 6.7 million people. Of this number around one third are active employees who still contribute to the scheme. 71.1% (4.8 million) of all the members of the LGPS are covered by local authorities and other connected bodies, though local authorities and connected bodies represent only 16.5% of employers (with 3,478 employers). In total, there were 21,131 employers covered by the Local Government Pension Scheme at the end of March 2024.

In respect of administration and governance some key matters impacting 2024/25:

- The Pension Regulator’s (TPR) General Code of Practice came into effect on 28 March 2024. It replaces Code of Practice 14 for public service pension schemes and brings together ten previous codes into one. The Code provides an opportunity for funds to review current practices but also presents challenges during what is already a busy time for the LGPS.
- The Pensions Dashboards Regulations 2022 set out in law the connection to the ecosystem and that maintenance of connection is a legal requirement, it also sets out that schemes must connect to the ecosystem by the ‘connection deadline’ 31 October 2026. To avoid placing undue strain on all parties facilitating connection, the Department for Work & Pensions (DWP) published guidance confirming that public service pension schemes should ‘connect by’ 31 October 2025.
- The regulations implementing the McCloud remedy took effect from 1 October 2023. Statutory Guidance was published in June 2024 and pension funds have, for most members, the period up until a fund's annual benefit statements for 2024/25 are issued to complete implementation i.e. by the end of August 2025.

In planning our audit, we have taken account of this national context in designing a local audit programme which is tailored to your risks and circumstances.

# Key developments impacting our audit approach (continued)

National and International Context	Local Context
<p><b>Investments and Funding</b></p> <p>Triennial valuations for local government pension funds as at 31 March 2022 (the 2022 valuation) were published in March 2023. These valuations, provide updated information regarding the funding position of local government pension funds and set employer contribution rates for the period 2023/24 – 2025/26. In August 2024 the Government Actuary’s Department (GAD) published its Section 13 report analysing the outcomes of the valuations. GAD noted that funding levels have improved since 2019, however not all funds were in a surplus after the 2022 valuation, with 26 out of 87 being in deficit. In addition, there continues to be considerable variation between funds, with the highest funding level at 154% and the lowest funding level at 67%. This is a wider range than previously reported in the 2019 valuation. The average primary contribution rate to cover future benefit accruals has increased from 18.6% to 19.8% following the 2022 valuations.</p> <p>At the end of March 2024, the market value of LGPS funds was £391.5 billion, an increase of 9.0% compared to the end of March 2023. Total LGPS income in England and Wales in 2023-24 was £20.7 billion with expenditure of £17.1 billion.</p> <p>The Fund will be entering the 2025 valuation (as at 31 March 2025) process this calendar year. The valuation will set employer contribution rates for 1 April 2026 through to 31 March 2029. The national and international economic context continue to present challenges for pension funds with a consequential impact on the investments held by pension funds but investment performance and setting stable, affordable contributions for employers will be key factors.</p> <p>In July 2024 the government launched a Pensions Review of workplace defined contribution pensions schemes and the Local Government Pension Scheme in England and Wales (LGPS). The focus of the review for the LGPS is to look at how tackling fragmentation and inefficiency can unlock the investment potential of the scheme, including through further consolidation. This review, Fit for the future, is being led by the Ministry of Housing, Communities and Local Government (MHCLG). Consultation on the Government’s proposals sought views in three key areas; reforming the LGPS asset pools, boosting LGPS investment in their localities and regions in the UK, and strengthening the governance of both LGPS AAs and LGPS pools. The consultation closed in January 2025 and outcomes from it are now awaited.</p> <p>In planning our audit, we have taken account of this national and international context in designing a local audit programme which is tailored to your risks and circumstances. Planning is, however, an iterative process.</p>	<ul style="list-style-type: none"><li>• For Leicestershire Pension Fund, the 2022 triennial valuation was undertaken by Hymans Robertson LLP and showed that the Fund had assets sufficient to cover 105% of the accrued liabilities as at 31 March 2022, which had increased from 89% at the 2019 valuation. It also noted that the required investment return to be 100% funded is now is now 4.1% pa (4.5% pa at 2019). The likelihood of the Fund’s investment strategy achieving the required return is 78% (70% at 2019).</li><li>• At the year end there was significant volatility in markets following the imposition of tariffs by the US. However, the markets have continued to function and therefore valuation methodologies should not necessarily be impacted and we do not anticipate any enhanced impairment risk at this time. We will keep in touch with management as to whether readers might expect more disclosure in financial statements as hopefully the position clarifies in the coming months and any changes to the audit testing strategy be required this will be reported in our Audit Findings Report.</li><li>• We have noted that LGPS Central has received approval from Government for their proposals to pool remaining assets by 31 March 2026.</li><li>• We expect requests to be received from employer body auditors to undertake work on the accuracy and completeness of the information provided to the actuary as part of the 2025 valuation process. If these are received then this will be additional work outside the normal course of our audit work and will be the subject of additional fees/fee variations. We will discuss the scope and timing of this work with the Fund should it arise.</li><li>• There is an increased incentive and opportunity for organisations in the public sector to manipulate their financial statements due to ongoing financial pressures. Given the nature and position of the pension fund we have not identified the need for specific additional procedures beyond the mandated requirement for us under auditing standards to identify a significant risk in relation to management override of controls.</li></ul>



# Key developments impacting our audit approach (continued)

## Our commitments

- As a firm, we are absolutely committed to audit quality and financial reporting in local government and local government pension schemes. Our proposed work and fee, as set out further in this Audit Plan, has been agreed with the Director of Corporate Resources.
- To ensure close work with audited bodies and an efficient audit process, our preference as a firm is either for our UK based staff to work on site with you and your staff or to develop a hybrid approach of on-site and remote working. Please confirm in writing if this is acceptable to you, and that your staff will make themselves available to our audit team. This is also in compliance with our delivery commitments in our contract with PSAA.
- We would like to offer a formal meeting with the Director of Corporate Resources and Technical Pensions Lead quarterly as part of our commitment to keep you fully informed on the progress of the audit.
- At an appropriate point within the audit, we would also like to:
  - meet informally with the Chair of your Corporate Governance Committee, to brief them on the status and progress of the audit work to date, and
  - In line with best practice, offer to meet in private with the full Corporate Governance Committee
  - We will continue to provide you and your Corporate Governance Committee with sector updates providing our insight on issues from a range of sources and other sector commentators via our Corporate Governance Committee updates.



## 2 Introduction and Headlines

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# Introduction and headlines



## Purpose

- This document provides an overview of the planned scope and timing of the statutory audit of Leicestershire Pension Fund (“the Fund”) for those charged with governance.

## Respective responsibilities

- The National Audit Office (“the NAO”) has issued the Code of Audit Practice (“the Code”). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the Terms of Appointment and Statement of Responsibilities issued by the Public Sector Audit Appointments (PSAA), the body responsible for appointing us as auditor of the Fund.
- [Terms of Appointment from 2023/24 - PSAA](#)
- [Statement of responsibilities of auditors and audited bodies from 2023/24 audits - PSAA](#)

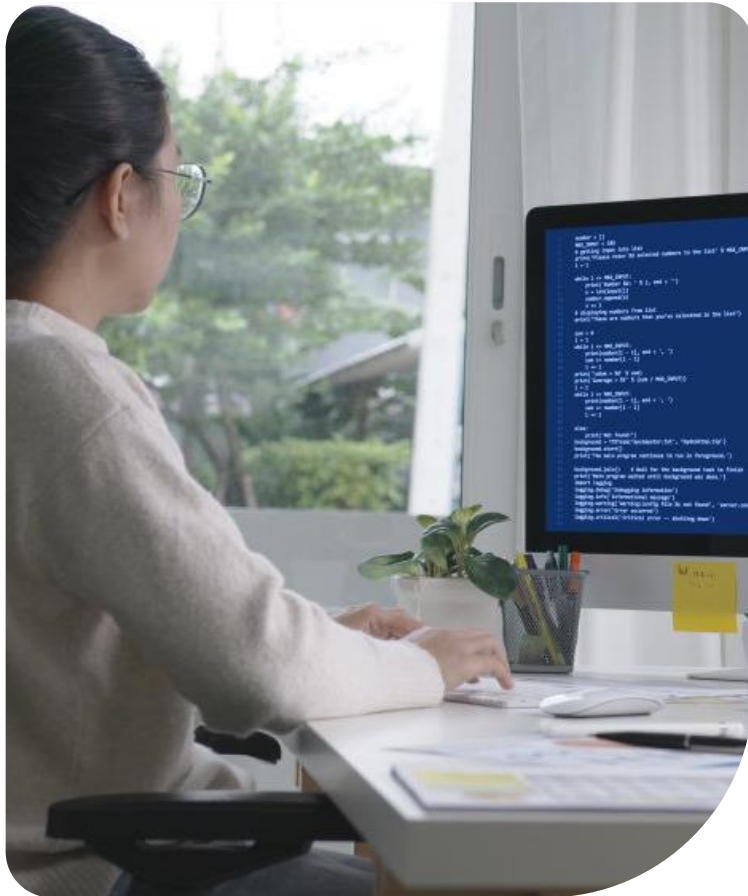
## Scope of our Audit

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

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

Our audit approach is based on a thorough understanding of the Fund’s business and is risk based.

# Introduction and headlines (continued)



## Significant risks

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

- Management override of control
- Valuation of Level 3 investments
- Valuation of Directly Held Property

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

## Materiality

We have determined planning materiality to be £91.8m (PY £69m) for the Pension Fund, which equates to 1.44% of your gross investment assets as at 31 March 2024.

We have set our performance materiality at 75% of headline materiality, £68.8m (PY £51.75m).

We have determined a lower specific planning materiality for the Fund Account of £27m (PY £25m), which equates to 10% of prior year gross expenditure on the fund account.

Clearly trivial has been set at £4.5m (PY £3.45m).

## Audit logistics

Our interim visit took place in March and our final visit will take place between July and September. Our key deliverables are this Audit Plan, Auditor's Report and our Audit Findings Report.

Our proposed fee for the audit is £98,470 (PY: £95,123) for the Fund, subject to the Fund delivering a good set of financial statements and working papers and no significant new financial reporting matters arising that require additional time and/or specialist input.

Our understanding is that the Custodian does not independently value the Pension Fund's Level 1 or Level 2 Level Investments, meaning we are not able to triangulate valuations included in the financial statements to investment manager and custodian confirmations for these investments. As a result, we carry out further audit procedures to gain assurance over the valuations of these investments.

For Level 1 and Level 2 investments we will obtain investment manager confirmations and perform additional procedures such as selecting a sample and independently obtain the quoted prices and compare them to the investment manager prices.

For Level 2, where prices cannot be obtained, we will review the latest audited accounts (where available) to gain assurance over investment manager valuation estimates and review the unaudited valuation to determine if there was significant price movements.

See page 12 for further details regarding our approach to auditing the valuation of Level 3 Investments.

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

# 03 Identified risks

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# Significant risks identified

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

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Management override of controls <div>Significant</div>	Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities.	We have therefore identified management override of controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	We will: <ul style="list-style-type: none"><li>• Evaluate the design effectiveness of management controls over journals</li><li>• Analyse the journals listing and determine the criteria for selecting high risk unusual journals</li><li>• Identify and test unusual journals made during the year and the accounts production stage for appropriateness and corroboration</li><li>• Gain an understanding of the accounting estimates and critical judgements applied by management and consider their reasonableness with regard to corroborative evidence</li><li>• Evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions; and,</li><li>• Follow up progress on our recommendations on journal authorisation (for the journals below £20,000) and further tailor our audit response if necessary.</li></ul>

# Significant risks identified (continued)

Significant risk	Risk relates to	Audit team’s assessment	Planned audit procedures
Presumed risk of fraud in revenue recognition ISA (UK) 240	<p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>As external audits in the public sector, we are also required to give regard to Practice Note 10, which interprets the ISA in a public sector context and directs us to consider whether the assumption also applies to expenditure.</p>	<p>We have identified and completed a risk assessment of all revenue and expenditure streams for the Fund. We have rebutted the presumed risk that revenue and expenditure may be misstated due to the improper recognition of revenue/expenditure for all revenue and expenditure streams, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate revenue recognition;</li><li>• opportunities to manipulate revenue recognition are very limited; and</li><li>• the culture and ethical frameworks of public sector bodies, including the administration authority, Leicestershire County Council, and the Fund, mean that all forms of fraud are seen as unacceptable.</li></ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	<p>Having considered the risk factors set out in ISA 240 and nature of the revenue stream at the Fund, we have determined that the risk of fraud arising from revenue and expenditure recognition can be rebutted (see opposite).</p> <p>Therefore , at the planning stage we do not consider this to be a significant risk for Leicestershire Pension Fund and standard audit procedures will be carried out. We will continue our risk assessment throughout the audit to identify any circumstances indicating a requirements to alter the decision.</p>
The expenditure cycle includes fraudulent transactions	<p>Practice Note 10 (PN10) states that as most public bodies are net spending bodies, then the risk of material misstatements due to fraud related to expenditure may be greater than the risk of material misstatements due to fraud related to revenue recognition. As a result under PN10, there is a requirement to consider the risk that expenditure may be misstated due to the improper recognition of expenditure.</p>	<p>We have identified and completed a risk assessment of all expenditure streams for the Fund. We have considered the risk that expenditure may be misstated due to the improper recognition of expenditure for all expenditure streams and concluded that there is not a significant risk, because:</p> <ul style="list-style-type: none"><li>• there is little incentive to manipulate expenditure recognition;</li><li>• opportunities to manipulate expenditure recognition are very limited; and</li><li>• the culture and ethical frameworks of public sector bodies, including the Fund, mean that all forms of fraud are seen as unacceptable.</li></ul> <p>Therefore, we do not consider this to be a significant risk for the Pension Fund.</p>	<p>We do not consider this to be a significant risk for the Fund and standard audit procedures will be carried out. We will keep this consideration under review throughout the audit to ensure this judgement remains appropriate.</p>

# Significant risks identified (continued)

Significant risk	Risk relates to	Audit team's assessment	Planned audit procedures
<p>Valuation of Level 3 Investments</p> <p><b>Significant</b></p> <p>Relevant Assertion(s)</p> <p>Valuation, Existence</p> <p>Applicable Assertion(s)</p> <p>Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>The valuations of level 3 investments are based on unobservable inputs and hence there is a risk of material misstatement due to error and/or fraud.</p>	<p>By their nature Level 3 investment valuations lack observable inputs. These valuations therefore represent a significant accounting estimate by management in the financial statements due to the size of the balance and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of Level 3 investments as a significant risk.</p> <p>Under ISA 315 significant risks often relate to significant non-routine transactions and judgmental matters. Level 3 investments by their very nature require a significant degree of judgement to reach an appropriate valuation at year end. Management utilise the services of investment managers and/or custodians to estimate the fair value as at 31 March 2025.</p> <p>We therefore identified valuation of level 3 investments as a significant risk, which was one of the most significant assessed risks of material misstatement.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Review the nature and basis of estimated values and considered what assurance management has over the year end valuation provided for these types of investments to ensure the requirements of the code are met;</li> <li>Evaluate management's processes for valuing Level 3 investments;</li> <li>Independently request year end confirmations from investment managers</li> <li>Obtain and review the audited financial statements of the investment accounts, where these are at a different reporting date to the Fund's financial statements the valuations will be compared accounting for cashflows;</li> <li>Obtain and review the corresponding investment manager report as at the investment accounts and the Fund accounts reporting dates where appropriate;</li> <li>Review purchase and sale transactions of the investment near the reporting date where appropriate;</li> <li>Review the guidelines under which the investment has been valued at the date of the investment accounts and the Fund accounts;</li> <li>Review management's classification of the assets;</li> <li>Obtain and review investment manager service auditor report on design and operating effectiveness of internal controls where appropriate.</li> <li>Complete sample testing of purchases and sales to prime documentation across the period to support out reconciliation of the opening and closing balances.</li> </ul>
<p>Valuation of Directly Held Property</p> <p><b>Significant</b></p> <p>Relevant Assertion(s)</p> <p>Valuation, Existence</p> <p>Applicable Assertion(s)</p> <p>Rights &amp; Obligations, Presentation</p> <p>Planned level of control reliance</p> <p>None</p>	<p>The valuations of directly held property are a significant accounting estimate and hence there is a risk of material misstatement due to error and/or fraud.</p>	<p>The Pension Fund have investments of £96m in Directly Held Property as at 31 March 2024 and have been valued by management's expert. These valuations represent a significant accounting estimate by management in the financial statements due to the size of the balance (£96m) and the sensitivity of the estimate to changes in key assumptions. We have therefore identified the valuation of direct held property as a significant risk.</p>	<p>We will:</p> <ul style="list-style-type: none"> <li>Evaluate management's processes for valuing directly held property investments;</li> <li>Obtain and review the valuation report provided by management's expert;</li> <li>Review the methodology and assumptions used in the valuation;</li> <li>Review the movement in valuation from the prior year where appropriate;</li> <li>Review the inputs and significant assumptions used as part of the valuation for a sample of assets.</li> </ul>



# Other matters

## Other work

The Pension Fund is administered by Leicestershire County Council (the 'Council'), and the Pension Fund's accounts form part of the Council's financial statements.

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

- We read any other information published alongside the Council's financial statements to check that it is consistent with the Pension Fund financial statements on which we give an opinion and is consistent with our knowledge of the Authority.
- We consider our other duties under legislation and the Code, as and when required, including:
  - Giving electors the opportunity to raise questions about your 2024/25 financial statements, consider and decide upon any objections received in relation to the 2024/25 financial statements;
  - Issue of a report in the public interest or written recommendations to the Fund under section 24 of the Act, copied to the Secretary of State.
  - Application to the court for a declaration that an item of account is contrary to law under Section 28 or for a judicial review under Section 31 of the Act; or
  - Issuing an advisory notice under Section 29 of the Act.
- We carry out work to satisfy ourselves on the consistency of the pension fund financial statements included in the pension fund annual report with the audited Fund accounts.

## Other material balances and transactions

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


# **4 Our approach to materiality**



# Our approach to materiality

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

Matter	Description	Planned audit procedures
01	<b>Determination</b> We have determined planning materiality (financial statement materiality for the planning stage of the audit) based on professional judgement in the context of our knowledge of the Fund, including consideration of factors such as shareholder expectations, industry developments, financial stability and reporting requirements for the financial statements	<ul style="list-style-type: none"><li>We determine planning materiality in order to:<ul style="list-style-type: none"><li>establish what level of misstatement could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements</li><li>assist in establishing the scope of our audit engagement and audit tests</li><li>determine sample sizes and</li><li>assist in evaluating the effect of known and likely misstatements in the financial statements.</li></ul></li></ul>
02	<b>Other factors</b> An item does not necessarily have to be large to be considered to have a material effect on the financial statements	<ul style="list-style-type: none"><li>An item may be considered to be material by nature when it relates to instances where greater precision is required.</li><li>Additionally, there may be items which we feel would benefit from a lower specific materiality for those account balances (e.g. the Fund Account). Details of lower specific materialities applied can be found on the next page.</li></ul>
03	<b>Reassessment of materiality</b> Our assessment of materiality is kept under review throughout the audit process	<ul style="list-style-type: none"><li>We reconsider planning materiality if, during the course of our audit engagement, we become aware of facts and circumstances that would have caused us to make a different determination of planning materiality</li></ul>
04	<b>Matters we will report to the Corporate Governance Committee</b> Whilst our audit procedures are designed to identify misstatements which are material to our opinion on the financial statements as a whole, we nevertheless report to the Corporate Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work. Under ISA 260 (UK) 'Communication with those charged with governance', we are obliged to report uncorrected omissions or misstatements other than those which are 'clearly trivial' to those charged with governance. ISA 260 (UK) defines 'clearly trivial' as matters that are clearly inconsequential, whether taken individually or in aggregate and whether judged by any quantitative or qualitative criteria.	<ul style="list-style-type: none"><li>We report to the Corporate Governance Committee any unadjusted misstatements of lesser amounts to the extent that these are identified by our audit work.</li><li>In the context of the Fund, we propose that an individual difference is clearly trivial if it is less than £4.5m (PY £3.45m). If management have corrected material misstatements identified during the course of the audit, we will consider whether those corrections should be communicated to the Corporate Governance Committee to assist it in fulfilling its governance responsibilities.</li></ul>

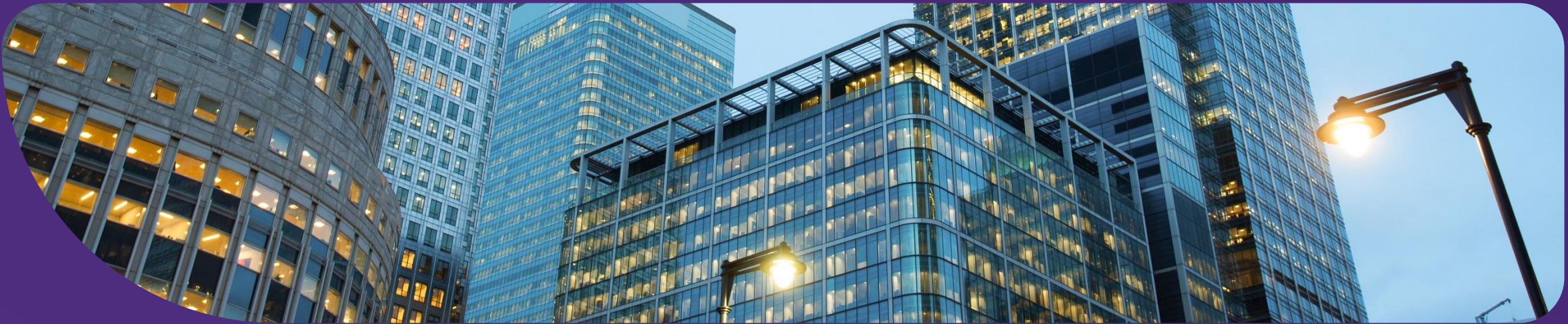


Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements; Judgments about materiality are made in light of surrounding circumstances,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

# Our approach to materiality

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

	Amount (£)	Qualitative factors considered
Headline materiality for the Fund’s financial statements	£91.8m	Headline Materiality for planning equates to 1.44% of your gross investment assets as at 31 March 2024. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts. Given the transparency of reporting and risks at the Fund we would be willing to move to a higher benchmark of 1.75% but we have capped this at 1.44% in order to be able to provide appropriate assurances to employer body auditors to support their work under IAS 19.
Specific Materiality for Fund Account The lower specific materiality for the fund account will be applied to the audit of all fund account transactions, except for investment transactions, for which headline materiality will be applied.	£27m	Materiality for the Fund Account for planning equates to 10% of gross expenditure (in the fund account) as at 31 March 2024. We deem this to be a level above which errors or omissions would alter the economic decisions of users of the accounts.



# **5 Progress against prior year audit recommendations**

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# Progress against prior year audit recommendations

We identified the following issues in our 2023/24 audit of the Fund's financial statements, which resulted in 2 recommendations being reported in our 2023/24 Audit Findings Report. A progress update has been provided below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue(s)
Medium – Limited effect on financial statements	<p><b>Inadequate supporting documentation for journals tested</b></p> <p><b>Cash float/control accounts</b></p> <p>Our review of Journal CRST060624B amounting to £4.676million that was posted to correct the cash float balance managed by Colliers Global and record expenses incurred in managing the properties. The following was observed:</p> <ul style="list-style-type: none"> <li>The expenses charged in the current year are both historic and current year expenses. A total c£3m expenditure is split across the years as follows: £1.6m 2022/23, £0.5m 2021/22, £0.2m 2020/21, £0.7m 2019/20 &amp; 2018/19 (combined). This evidence the lack of timely review, reconciliation and posting of expenses in the correct periods and clearing of the control accounts.</li> <li>From review of the supporting evidence, we could only trace the balance of cash held by the IM of £546K.</li> </ul> <p><b>Suspense accounts cleared without supporting evidence</b></p> <p>Our review of journal CRST220624A amounting to £519K was posted in the general ledger clearing historic suspense payments related to Property income i.e. these were overpayments or otherwise unknown/miscellaneous payments that pension fund had not been able to reconcile.</p>	<p>In November 2024, management confirmed that they have been working with Colliers Global to agree additional monthly information. As a result, the Council are now undertaking a full monthly reconciliation of the cash flow balance, including journal postings and clearance of suspense balances.</p> <p>We will review this as part of our audit testing for 2024/25.</p>
Medium – Limited effect on financial statements	<p><b>Valuation of level 3 investment (financial assets)</b></p> <p>The following were our findings from testing:</p> <ul style="list-style-type: none"> <li>Colliers, did not provide us the fund audited financial statements and type 2 controls report for 2 of the property funds (Henderson Fund and Legal &amp; General fund) with a value £15.02million.</li> <li>Lasalle (1 fund) and Partners Group (6 funds) did not provide us with the audited financial statements. The value of the funds are £422.87million</li> </ul> <p>For testing Lasalle and Partners we were able to obtain the type controls report and we deem the relevant valuation controls were designed and operating effectively.</p> <p>Other alternative procedures such as indexation were performed to assess the reasonability of the year end valuations.</p> <p>Management should liaise with the fund managements to provide the audited financial statements where they are produced. In absence of such information, they should obtain the Type 2 controls report to gain comfort that the controls in place are operating effectively.</p>	<p>In November 2024, management confirmed they will continue to liaise with investments management to acquire copies of audited financial statements, Type 2 SOC reports, and/or other documentation as appropriate to support assurance in the valuations and controls of their funds.</p> <p>We will review this as part of our audit testing for 2024/25.</p>

# 6 IT audit strategy

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# IT audit strategy

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

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

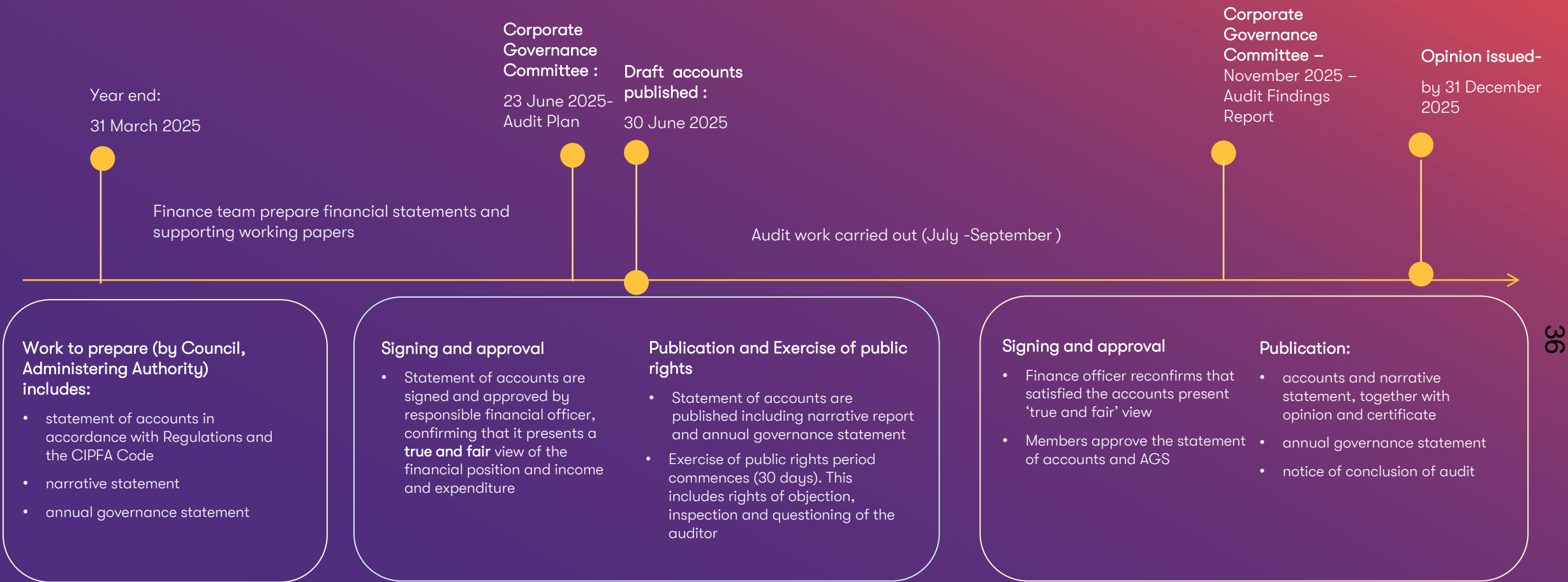
IT application	Audit area	Planned level IT audit assessment
Oracle Fusion	Financial reporting	<ul style="list-style-type: none"><li>Detailed ITGC Assessment. We plan to test the design and implementations of ITGCs.</li></ul>
Pension Administration System – Altair	Member Data	<ul style="list-style-type: none"><li>Detailed ITGC Assessment. We plan to test the design and implementations of ITGCs.</li></ul>
Insights	Pension Data	<ul style="list-style-type: none"><li>Detailed ITGC Assessment. We plan to test the design and implementations of ITGCs.</li></ul>



# 7 Logistics

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# The accounts and audit timeline





# Our team and communications

## Grant Thornton core team

Grant Patterson

Key Audit Partner

- Key contact for senior management and Audit Committee
- Overall quality assurance

Mary Wren

Audit Manager

- Audit planning
- Resource management
- Performance management reporting

Timothy Lacey

Audit Senior / In-charge

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

	Service delivery	Audit reporting	Audit progress	Technical support
Formal communications	<ul style="list-style-type: none"><li>• Client Surveys</li></ul>	<ul style="list-style-type: none"><li>• The Audit Plan</li><li>• Audit Progress and Sector Update Reports</li><li>• The Audit Findings Report</li></ul>	<ul style="list-style-type: none"><li>• Audit planning meetings</li><li>• Audit clearance meetings</li><li>• Communication of issues log</li></ul>	<ul style="list-style-type: none"><li>• Technical updates</li></ul>
Informal communications	<ul style="list-style-type: none"><li>• Open channel for discussion</li></ul>		<ul style="list-style-type: none"><li>• Communication of audit issues as they arise</li></ul>	<ul style="list-style-type: none"><li>• Notification of up-coming issues</li></ul>

As part of our overall service delivery, we may utilise colleagues who are based overseas, primarily in India and the Philippines. Those colleagues work on a fully integrated basis with our team members based in the UK and receive the same training and professional development programmes as our UK based team. They work as part of the engagement team, reporting directly to the Audit Senior and Manager and will interact with you in the same way as our UK based team albeit on a remote basis. Our overseas team members use a remote working platform which is based in the UK. The remote working platform (or Virtual Desktop Interface) does not allow the user to move files from the remote platform to their local desktop meaning all audit related data is retained within the UK.

# 8 Fees and related matters

# Our fee estimate

Our estimate of the audit fees we will charge is set out in the table below, along with the fees billed in the prior year

### Relevant professional standards

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

### PSAA

Local Government Audit fees are set by PSAA as part of their national procurement exercise. In 2017, PSAA awarded a contract of audit for Leicestershire Pension Fund to begin with effect from 2018/19. This contract was re-tendered in 2023 and Grant Thornton have been re-appointed as your auditors. The scale fee set out in the PSAA contract for the 2024/25 audit is £95,720

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

- Production of the final auditor’s annual report for the previous Audit Year (exception for new clients in 2023/24 only)
- Production of the draft audit planning report to Audited Body
- 50% of planned hours of an audit have been completed
- 75% of planned hours of an audit have been completed

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

Description	Audit Fee for 2023/24 (£)	Proposed fee for 2024/25 (£)
Leicestershire Pension Fund Audit – scale fee	£84,733	£95,720
ISA315 *	£7,840	-
Investment Property Valuation expert	£750	£2,750
Derivatives and Other complex investments*	£1,800	-
Total (Exc. VAT)	£95,123	£98,470

### Updated Auditing Standards

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

### Our fee estimate:

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

- prepare a good quality set of accounts, supported by comprehensive and well presented working papers which are ready at the start of the audit
- provide appropriate analysis, support and evidence to support all critical judgements and significant judgements made while preparing the financial statements
- provide early notice of proposed complex or unusual transactions which could have a material impact on the financial statements
- maintain adequate business processes and IT controls, supported by an appropriate IT infrastructure and control environment.

### Previous year

In 2023/24 the scale fee set by PSAA was £84,733. The actual fee charged for the audit was £95,123.  
\* These fees have been consolidated within the scale fee for 2024/25 as part of PSAA’s review process.

# 9 Independence considerations

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# Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms). In this context, there are no matters that we are required to report.

We are also required to report to you details of any breaches of the requirements of the FRC Ethical Standard, and of any safeguards applied and actions we have taken to address any threats to independence. We report that no breaches have been identified by team.

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statement. Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in September 2022 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

We confirm that we have implemented policies and procedures to meet the requirements of the Ethical Standard. For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the pension fund.

# Independence considerations (continued)

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Fund and/or Administering Authority that may reasonably be thought to bear on our integrity, independence and objectivity.
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships with the Fund and/or Administering Authority or investments in the Fund and/or Administering Authority held by individuals.
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Fund/Administering Authority as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Fund and/or Administering Authority.
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided.
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Fund’s and/or Administering Authority’s board, senior management or staff (that would exceed the threshold set in the Ethical Standard).

We confirm that there are no significant facts or matters that impact on our independence at planning as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person have complied with the Financial Reporting Council’s Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

# Fees and non-audit services

The following tables below sets out the non-audit services charged from the beginning of the financial year, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Fund’s policy on the allotment of non-audit work to your auditor

None of the below services were provided on a contingent fee basis.

For the purposes of our audit we have made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Leicestershire Pension Fund. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees in as detailed in the table below.

Grant Thornton UK LLP also acts as the statutory auditor of Leicestershire County Council. The fees for the audit and non-audit services charged for this entity are reported in its Audit Plan. We consider that such services and fees do not impair our independence.

Note that fees for IAS 19 letters for employer body auditors were classed as non-audit fees prior to 2022/23. The National Audit Office have confirmed that the provision of IAS 19 assurances to auditors of local government and NHS bodies should be considered work undertaken under the Code of Audit Practice for 2022/23 onwards. Provision of IAS 19 assurances to auditors of any other type of entity remains non-Code work. We are not expecting requests from any non NAO Code bodies but if we do a cost of £1,100 per request received is anticipated which is separate to the fee on Page 27. If this is the case we have outlined our preliminary threat assessment and response below.

Assurance Service Fees

Service	£	Threats Identified	Safeguards applied
Audit Related Assurance			
IAS19 Assurance letters for Admitted Bodies outside of the NAO Code of Audit Practice	1,100 per letter	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the total fee for this work is £1,100 in comparison to the total proposed fee for the audit of £98,470 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.

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

# **10 Communication of audit matters with those charged with governance**

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# Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks and Key Audit Matters	●	
Planned use of internal audit	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant matters in relation to going concern	●	●
Views about the qualitative aspects of the Fund's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures		●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

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

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

**Respective responsibilities**

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

# 11 Delivering audit quality

# Delivering audit quality

## Our quality strategy

We deliver the highest standards of audit quality by focusing our investment on:

### Creating the right environment

Our audit practice is built around the markets it faces. Your audit team are focused on the Public Sector audit market and work with clients like you day in, day out. Their specialism brings experience, efficiency and quality.

### Building our talent, technology and infrastructure

We've invested in digital tools and methodologies that bring insight and efficiency and invested in senior talent that works directly with clients to deploy bespoke digital audit solutions.

### Working with premium clients

We work with great public sector clients that, like you, value audit, value the challenge a robust audit provides, and demonstrate the strongest levels of corporate governance. We're aligned with our clients on what right looks like.

Our objective is to be the best audit firm in the UK for the quality of our work and our client service, because we believe the two are intrinsically linked.

## How our strategy differentiates our service

Our investment in a specialist team, and leading tools and methodologies to deliver their work, has set us apart from our competitors in the quality of what we do.

The FRC highlighted the following as areas of particularly good practice in its recent inspections of our work:

- use of specialists, including at planning phases, to enhance our fraud risk assessment
- effective deployment of data analytical tools, particularly in the audit of journals

## The right people at the right time

We are clear that a focus on quality, effectiveness and efficiency is the foundation of great client service. By doing the right audit work, at the right time, with the right people, we maximise the value of your time and ours, while maintaining our second-to-none quality record.

Bringing you the right people means that we bring our specialists to the table early, resolving the key judgements before they impact the timeline of your financial reporting. The audit partner always retains the final call on the critical decisions; we use our experts when forming our opinions, but we don't hide behind them.

## Digital differentiation

We're a digital-first audit practice, and our investment in data analytics solutions has given our clients better assurance by focusing our work on transactions that carry the most risk. With digital specialists working directly with your teams, we make the most of the data that powers your business when forming our audit strategy.

## Oversight and control

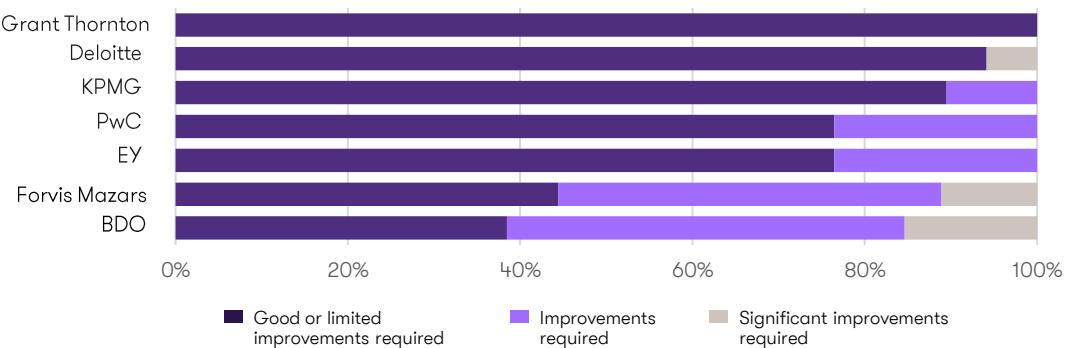
Wherever your audit work is happening, we make sure that its quality meets your exacting requirements, and we emphasise communication to identify and resolve potential challenges early, wherever and however they arise. By getting matters on the table before they become "issues", we give our clients the time and space to deal with them effectively.

Quality underpins everything at Grant Thornton, as our FRC inspection results in the chart below attest to. We're growing our practice sustainably, and that means focusing where we know we can excel without compromising our strong track record or our ability to deliver great audits. It's why we will only commit to auditing clients where we're certain we have the time and resource, but, most importantly, capabilities and specialist expertise to deliver. You're in safe hands with the team; they bring the right blend of experience, energy and enthusiasm to work with you and are fully supported by myself and the rest of our firm.

Wendy Russell  
Partner, UK Head of Audit



FRC's Audit Quality Inspection and Supervision Inspection  
(% of files awarded in each grading, in the most recent report for each firm)



# 12 Appendices

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# IFRS reporters New or revised accounting standards that are in effect

## First time adoption of IFRS 16

Lease liability in a sale and leaseback

- IFRS 16 was implemented by LG bodies from 1 April 2024, with early adoption possible from 1 April 2022. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.
- This year will be the first year IFRS 16 is adopted fully within Local Government. It is not expected to have a significant impact on pension fund accounts and auditors.

## IAS 1 amendments

Non-current liabilities with covenants

- These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

## Amendment to IAS 7 and IFRS 7

Supplier finance arrangements

- These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on an entity's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.

# IFRS reporters Future financial reporting changes

## IFRS reporters future financial reporting changes

These changes will apply to local government once adopted by the Code of practice on local authority accounting (the Code).

## Amendments to IAS 21 – Lack of exchangeability

IAS 21 has been amended by the IASB to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments are expected to be adopted by the Code from **1 April 2025**.

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

These amendments clarify the requirements for the timing of recognition and derecognition of some financial assets and liabilities, adds guidance on the SPPI criteria, and includes updated disclosures for certain instruments. The amendments are expected to be adopted by the Code **in future years**.

## IFRS 19 Subsidiaries without Public Accountability: Disclosures

IFRS 19 provides reduced disclosure requirements for eligible subsidiaries. A subsidiary is eligible if it does not have public accountability and has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with IFRS Accounting Standards. IFRS 19 is a voluntary standard for eligible subsidiaries and is expected to be adopted by the Code **in future years**.

## IFRS 18 Presentation and Disclosure in the Financial Statements

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

The new standard will impact the structure and presentation of the statement of profit or loss as well as introduce specific disclosure requirements. Some of the key changes are:

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

IFRS 18 is expected to be adopted by the CIPFA Code **in future years**.

# The Grant Thornton Digital Audit – Inflo

## A suite of tools utilised throughout the audit process

### 01 Collaborate

Information requests are uploaded by the engagement team and directed to the right member of your team, giving a clear place for files and comments to be uploaded and viewed by all parties.

#### What you'll see

- Individual requests for all information required during the audit
- Details regarding who is responsible, what the deadline is, and a description of what is required
- Graphs and charts to give a clear overview of the status of requests on the engagement

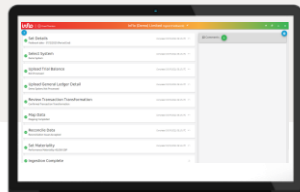


### 02 Ingest

The general ledger and trial balance are uploaded from the finance system directly into Inflo. This enables samples, analytical procedures, and advance data analytics techniques to be performed on the information directly from your accounting records.

#### What you'll see

- A step by step guide regarding what information to upload
- Tailored instructions to ensure the steps follow your finance system

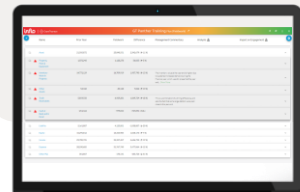


### 03 Detect

Journals interrogation software which puts every transaction in the general ledger through a series of automated tests. From this, transactions are selected which display several potential unusual or higher risk characteristics.

#### What you'll see

- Journals samples selected based on the specific characteristics of your business
- A focussed approach to journals testing, seeking to only test and analyse transactions where there is the potential for risk or misstatement





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## **CORPORATE GOVERNANCE COMMITTEE – 23<sup>rd</sup> June 2025**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **ANNUAL TREASURY MANAGEMENT REPORT 2024/2025**

##### **Purpose of Report**

1. The purpose of this report is to advise the Committee of the action taken and the performance achieved in respect of the treasury management activities of the Council in 2024/2025.

##### **Policy Framework and Previous Decisions**

2. Under the CIPFA Code of Practice it is necessary to report on treasury management activities undertaken in 2024/25 by the end of September 2025. This report will be referred to the Cabinet on 15 July and the Committee is asked to provide comments in advance of this meeting.

##### **Background**

3. The term treasury management is defined as: -  
“The management of the organisation’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks”.
4. The Director of Corporate Resources is responsible for carrying out treasury management on behalf of the County Council, under guidelines agreed annually by the County Council.

##### **Action Taken during Quarter 4 to March 2025**

##### **Economic Background**

5. The Council’s treasury management adviser, MUFG Pension & Market Services (formerly Link Asset Services), provides a periodic update outlining the global economic outlook and monetary policy positions. An extract from that report is attached as Appendix A to this report. The key points are summarised in the following paragraphs.
6. UK inflation has proved stubborn throughout 2024/25. Having started the financial year at 2.3% y/y (April), the CPI measure of inflation briefly dipped to 1.7% y/y in September before picking up pace again in the latter months. CPI had risen by 2.8%

y/y (February), and it is expected that it will continue to rise to at least 3.5% by the Autumn of 2025.

7. Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate currently stands at 4.25% (4.5% as at 31 March 2025), despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).
8. Moreover, borrowing has becoming increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

### Debt Rescheduling

9. Gilt yields, which underpin the Public Works Loan Board<sup>1</sup> (PWLB) rates were at levels such that in January £9.7m of PWLB debt was repaid early with an additional £4.8m maturing.

### Compliance with Prudential and Treasury Indicators

10. The prudential and treasury indicators are shown in Appendix B. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ending 31 March 2025, the Council has operated within the treasury and prudential indicators set out in the Council's Treasury Management Strategy Statement for 2024/25, except for the actual capital financing costs as a percentage of net revenue stream indicator – increase due to premiums on the early repayment of debt, reducing future interest costs.

### Resource Implications

11. The interest earned on revenue balances and the interest paid on external debt impact directly onto the resources available to the Council. The budgeted income for interest generated by treasury management activities (excluding private debt and bank risk sharing investments) for 2024/2025 was £14.2m. The actual interest received from said treasury management activities at year end totalled £21.7m. This overperformance has been driven by two factors:
  - a. forecast Bank of England base rate levels being higher and for longer than forecast; and
  - b. higher than estimated average cash balances during the year.
12. Average balances remain strong due to earmarked reserves, the latest phasing of spend on the capital programme and government grants received in advance. Such a significant level of interest is highly unlikely to be sustainably achieved in the medium to long term though given the market expectation of interest rate reductions.

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<sup>1</sup> PWLB is a UK government body that provides loans to local authorities and other public sector bodies

### **Treasury Management 2024/2025**

13. The Treasury Management Policy Statement for 2024/25 was agreed by the full Council on 21 February 2024, in relation to the sources and methods of borrowing and approved organisations for lending temporarily surplus funds.
14. The criteria for lending to Banks are derived from the list of approved counter parties provided by the County Council's Treasury Management advisors, MUFG Pension & Market Services. The list is amended to reduce the risk to the County Council by removing the lowest rated counterparties and reducing the maximum loan duration.
15. During the year all outstanding loans were repaid on time with the interest due.
16. In 2016 it was agreed that any counterparty that was downgraded whilst a loan was active, and where the unexpired period of the loan, or the amount on loan, would then breach the limit at which a new loan could be made to that counterparty, this would be included in the appropriate quarterly treasury management report to the Corporate Governance Committee. There was one such incident during 2024/2025.
17. On 15 November 2024 MUFG Pension & Market Services downgraded the suggested holdings for NatWest Group following changes to the government's shareholding in the bank whereby it would now be treated in the same way as all other entities, with a limit of £35m (previously £75m). The Council had £75m invested across five loans with the bank at the time of the breach. £10m was repaid with full interest at the expiry of one loan on 25 November 2024, and £30m repaid with full interest at expiry in Q4 February 2025, bringing the total held down to £35m and within the revised limit.
18. Investment returns have steadily fallen throughout 2024/25 as interest rates have reduced.
19. Starting in April 2024 at 5.25%, the Bank Rate moved down in stepped increases of 0.25%, reaching 4.5% by March 2025, and to 4.25% in May 2025. MUFG Pension & Market Services advise that rates will continue to fall to around 3.75% by March 2026.
20. The Council has taken a cautious approach to investing and is fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions. Nonetheless caution still needs to be exercised and the council continues to monitor credit ratings and watches on a daily basis and confirm the counterparty list before any new loans are placed.

### **Debt Position at 31 March 2025**

21. On the debt portfolio, no new loans were taken. A total of £44.5m was repaid in the year, comprising:

- £29.2m - Early repayment - PWLB debt on favourable terms
- £10.0m – Early repayment - Market debt (Barclays) of £10m.  
*[n.b. these early repayments will generate an estimated £2.4m in annual interest savings for the Council.]*
- £4.8m – PWLB maturity
- £0.5m – PWLB Equal Instalment of Principal (EIP)

22. The Council's external debt position at the beginning and end of the year was as follows: -

	31 March 2024			31 March 2025		
	Principal	Average Rate	Average Life	Principal	Average Rate	Average Life
<b>Fixed Rate Funding</b>						
- PWLB	£116.0m	7.6%	27 yrs	£81.5m	7.78%	26 yrs
-Market	£ 10.0m	3.99%	42 yrs	£ 0.0m	0%	0 yrs
<b>Variable Rate Funding:</b>						
- Market (1)	£ 93.5m	4.41%	39 yrs	£ 93.5m	4.41%	38 yrs
<b>Total Debt</b>	<b>£219.5m</b>	<b>6.08%</b>	<b>32 yrs</b>	<b>£175.0m</b>	<b>5.98%</b>	<b>32 yrs</b>

(1) The majority of lenders have an option to increase the rates payable on these loans on certain pre-set dates, and if they exercise this option the Council can either repay or accept the higher rate.

23. The Authority has not raised any new external loans since August 2010 and external debt is around £180m lower than it was at its peak in November 2006. The most recent MTFs capital programme, for 2025-2029, includes a funding requirement of £83.6m to be funded from borrowing. However, due to the strength of the County Council's balance sheet, it is expected to be possible to use internal balances to fund this on a temporary basis instead of raising new loans.

#### Investment Position at 31st March 2025

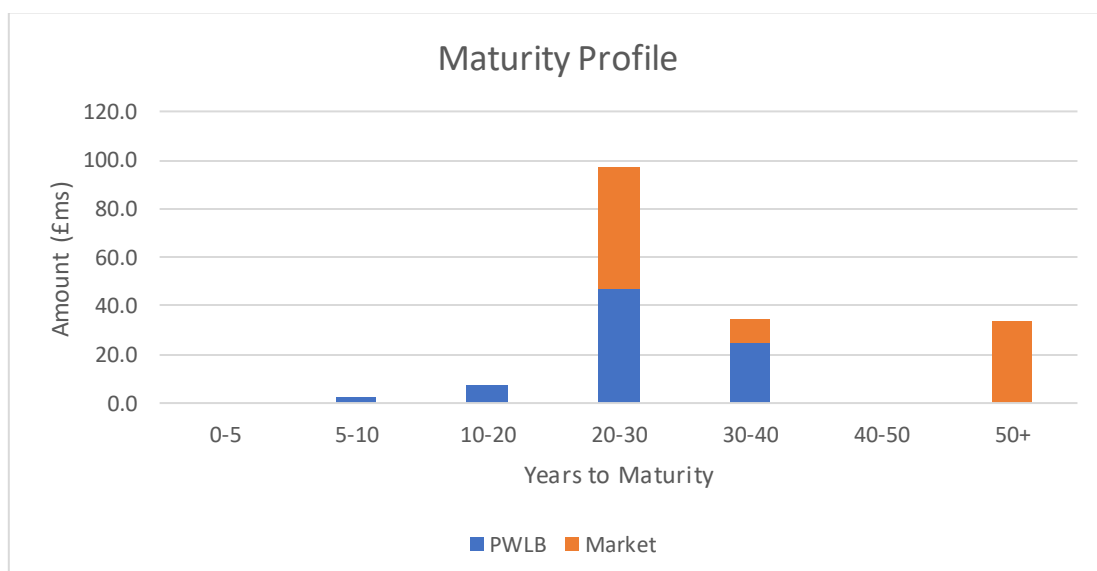
24. The position in respect of investments varies throughout the year due to the large inflows and outflows of cash that occur. Over the course of the year the loan portfolio (which includes cash managed on behalf of schools with devolved banking arrangements) varied between £408m and £501m and averaged £453m. Investments as at 31 March 2025 were £415m.

#### Debt Transactions

25. The Council began the financial year £18m over-borrowed (actual debt) compared with the Capital Financing Requirement (the amount required to fund the historic capital programme).
26. Although the term 'over-borrowed' suggests an unusual situation it is simply caused by the Council setting aside money each year so that when loans become due they

can be repaid. Historically this situation did not arise because new borrowing was undertaken each year. For the last fifteen years, there has been no requirement to undertake new borrowing to fund the capital programme (which leads to a reduction in debt financing costs falling on the revenue budget). This is linked to the Government's change of approach since 2010 to award grants to fund the capital programme rather than the previous approach of supported borrowing (i.e. support for capital expenditure by providing revenue funding to cover borrowing costs). Ideally the situation would be remedied by repaying loans early.

27. To this end, during 2024/25 the over-borrowed position reversed due to the early repayment of debt as mentioned above.
28. At the end of the financial year, after the repayment of debt, and setting aside funding for the Minimum Revenue Provision (MRP) of £6.2m (to ensure that loans raised to finance capital expenditure are paid off over the longer term) the Council was £20m under-borrowed.
29. During the year, there were two favourable opportunities to reduce the Council's debt portfolio, as reported in quarterly treasury management updates. These opportunities arose due to the prevailing economic conditions at the time of repayment, with Gilt yields (which underpin PWLB rates) remaining at levels sufficient to consider long term debt rescheduling opportunities. The total debt repaid was £44.5m, of which £29.2m with the PWLB (and £10m with Barclays) was as a direct result of debt rescheduling activities. At the end of the financial year, the debt portfolio stood at £175.0m with an average pool rate of 5.98%, as shown in the table above.
30. The maturity profile of the Council's debt portfolio is shown in the chart below. This illustrates the long-term nature of the historic debt.



### Investments

31. The loan portfolio produced an average return of 5.15% in 2024/2025, compared to an average base rate of 4.95% and a Sterling Overnight Index Average (SONIA) of 4.90% published daily by the BoE. The SONIA rate is based on actual transactions

and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is therefore a good proxy for the risk-free rate of investing surplus cash.

32. The loan portfolio has outperformed both the average base rate and the average SONIA in four of the last five years. The average rate of interest earned on the portfolio in the last five years is 2.63% which compares favourably to average base rate and the SONIA which have reported returns of 2.51% and 2.47% respectively.
33. The variability of balances makes it difficult to calculate the excess interest that the over performance has achieved over the whole of the five-year period, but it is estimated to be at least £2.6m.
34. The above paragraphs exclude investments relating to private debt and bank risk sharing investments. The capital value of these investments as at 31<sup>st</sup> March 2025 was £32.7m. Since inception (January 2018) the Council has received interest payments totalling £11.2m from these investments and the current performance as measured by the internal rate of return is 8.49%.
35. The table below provides an overview of the Council's investments in private debt and bank risk sharing investments. As well as showing the current capital levels within each fund the table also shows the Net Asset Value (NAV), and Internal Rate of Return (IRR) for each fund.

Summary Private Debt and CRC:						During 2024/25	
	Total Commitment (£m)	Capital invested (£m)	NAV (£m)	IRR (Since Incep'n)	Total Income Rec'd	Capital Repaid (£m)	Income (£m)
2017 Mac IV	20.0	1.7	2.3	5.03%	-3.9	- 2.7	-
MAC VI	20.0	11.8	13.3	7.34%	-2.7	- 5.8	- 1.7
CRC CFR 5	15.0	12.5	12.7	11.11%	-4.7	-2.5	-3.5
MAC VII	10.0	6.7	7.5	-	-	-	-

## **Summary**

36. Treasury Management is an integral part of the Council's overall finances, and the performance of this area is very important. Whilst individual years obviously matter, performance is best viewed on a medium to long term basis. The action taken in respect of the debt portfolio in recent years has been extremely beneficial and has resulted in significant savings. Short term gains might, on occasions, be sacrificed for longer term certainty and stability.

## **Recommendations**

37. That the contents of the annual report for 2024/25 be noted.
38. That the Committee further notes that the annual report will be submitted to the Cabinet for consideration at its meeting in July 2025.

**Equality and Human Rights Implications**

39. None.

**Background Papers**

Report to County Council on 21 February 2024 – 'Medium Term Financial Strategy (MTFS) 2024/25 - 2027/28. Appendix N, 'TMS 2024-25:

<https://democracy.leics.gov.uk/documents/s181392/Appendix%20N%20-%20TM%20Strategy%20Statement%202024-25.pdf>

**Circulation under local issues alert procedure**

None.

**Appendices**

Appendix A – Economic Update from MUFG Pension & Market Services

Appendix B – Prudential and Treasury Indicators

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## The Economy and Interest Rates (From MUFG Corporate Markets: Annual Treasury Management Review 2024/25)

### UK Economy

UK inflation has proved somewhat stubborn throughout 2024/25. Having started the financial year at 2.3% y/y (April), the CPI measure of inflation briefly dipped to 1.7% y/y in September before picking up pace again in the latter months. The latest data shows CPI rising by 2.8% y/y (February), but there is a strong likelihood that figure will increase to at least 3.5% by the Autumn of 2025.

Against that backdrop, and the continued lack of progress in ending the Russian invasion of Ukraine, as well as the potentially negative implications for global growth as a consequence of the implementation of US tariff policies by US President Trump in April 2025, Bank Rate reductions have been limited. Bank Rate currently stands at 4.5%, despite the Office for Budget Responsibility reducing its 2025 GDP forecast for the UK economy to only 1% (previously 2% in October).

Moreover, borrowing has become increasingly expensive in 2024/25. Gilt yields rose significantly in the wake of the Chancellor's Autumn Statement, and the loosening of fiscal policy, and have remained elevated ever since, as dampened growth expectations and the minimal budget contingency (<£10bn) have stoked market fears that increased levels of borrowing will need to be funded during 2025.

The table below provides a snapshot of the conundrum facing central banks: inflation pressures remain, labour markets are still relatively tight by historical comparisons, and central banks are also having to react to a fundamental re-ordering of economic and defence policies by the US administration.

	UK	Eurozone	US
<b>Bank Rate</b>	4.50%	2.5%	4.25%-4.5%
<b>GDP</b>	0.1%q/q Q4 (1.1%y/y)	+0.1%q/q Q4 (0.7%y/y)	2.4% Q4 Annualised
<b>Inflation</b>	2.8%y/y (Feb)	2.3%y/y (Feb)	2.8%y/y (Feb)
<b>Unemployment Rate</b>	4.4% (Jan)	6.2% (Jan)	4.1% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 4.5% by a vote of 8-1, but suggesting further reductions would be gradual. The Bank of England was always going to continue its cut-hold-cut-hold pattern by leaving interest rates at 4.50% but, in the opposite of what happened at the February meeting, the vote was more hawkish than expected. This suggested that as inflation rises later in the year, the Bank cuts rates even slower, but the initial impact of President Trump's tariff policies in April 2025 on the financial markets underpin our view that the Bank will eventually reduce rates to 3.50%.

- Having said that, the Bank still thinks inflation will rise from 2.8% in February to 3¼% in Q3. And while in February it said "inflation is expected to fall back thereafter to around the 2% target", this time it just said it would "fall back thereafter". That may be a sign that the Bank is getting a bit more worried about the "persistence in domestic wages and prices, including from second-round effects". Accordingly, although we expect a series of rate cuts over the next year or so, that does not contradict the Bank taking "a gradual and careful" approach to cutting rates, but a tepid economy will probably reduce inflation further ahead and prompt the Bank to cut at regular intervals.

From a fiscal perspective, the increase in businesses' national insurance and national minimum wage costs from April 2025 is likely to prove a headwind, although in the near-term the Government's efforts to provide 300,000 new homes in each year of the current Parliament is likely to ensure building industry employees are well remunerated, as will the clamp-down on immigration and the generally high levels of sickness

## Appendix A

amongst the British workforce. Currently wages continue to increase at a rate close to 6% y/y. The MPC would prefer a more sustainable level of c3.5%.

As for equity markets, the FTSE 100 has recently fallen back to 7,700 having hit an all-time intra-day high 8,908 as recently as 3<sup>rd</sup> March. The £ has also endured a topsy-turvy time, hitting a peak of \$1.34 before dropping to \$1.22 in January and then reaching \$1.27 in early April 2025.

### USA Economy

Despite the markets willing the FOMC to repeat the rate cut medicine of 2024 (100 basis points in total), the Fed Chair, Jay Powell, has suggested that the Fed. Funds Rate will remain anchored at 4.25%-4.5% until inflation is under control, and/or the economy looks like it may head into recession as a consequence of President Trump's tariff policies.

Inflation is close to 3% and annualised growth for Q4 2024 was 2.4%. With unemployment just above 4%, and tax cuts in the pipeline, the FOMC is unlikely to be in a hurry to cut rates, at least for now.

### EZ Economy

The Eurozone economy has struggled throughout 2024 and is flat lining at present, although there is the promise of substantial expenditure on German defence/infrastructure over the coming years, which would see a fiscal loosening. France has struggled against a difficult political backdrop, but with a large budget deficit it is difficult to see any turn-around in economic hopes in the near-term.

With GDP currently below 1% in the Euro-zone, the ECB is likely to continue to cut rates, although the headline inflation rate is still above 2% (2.3% February 2025). Currently at 2.5%, a further reduction in the Deposit Rate to at least 2% is highly likely.

**APPENDIX B****PRUDENTIAL INDICATORS 2024/25**

	<b>Original Indicator 2024/25</b>	<b>Provisional Actual as at 31/03/2025</b>
Capital Expenditure (including Schools devolved formula capital)	£157.0m	£134m
Capital Financing Requirement	£195.0m	£195m
Actual Capital Financing Costs as a % of Net Revenue Stream	3.1%	4.1%
Net income from commercial activities as a % of net revenue stream	1.0%	0.9%
Operational Limit for External Debt	£221.0m	£221m
Authorised Limit for External Debt	£231.0m	£231m
Liability Benchmark – Gross loans requirement	£-3.0m	£-191m
Actual debt as at 31/3/2025 (£000's)	£214.2m	£175m

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**CORPORATE GOVERNANCE COMMITTEE**  
**23 JUNE 2025**

**REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

**INTERNAL AUDIT SERVICE – ANNUAL REPORT 2024-25**

**Purpose**

1. To provide the Corporate Governance Committee (the Committee) with an annual report on work conducted by the Internal Audit Service. It is then intended to distribute the report to all members of the Council.

**Background**

2. The Chief Financial Officer (CFO) has delegated responsibility for arranging a continuous internal audit. Under the County Council's Constitution, the Committee is required to monitor the adequacy and effectiveness of Leicestershire County Council Internal Audit Service (LCCIAS). One of its specific functions is to consider the Head of Internal Audit Service's (HoIAS) annual report.

**Internal Audit Service Annual Report**

3. Part 2, 'Internal Control' of the Accounts and Audit Regulations (2015) provides at section 5 'Internal Audit' that, 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.
4. The relevant standards for 2024-25 were the United Kingdom Public Sector Internal Audit Standards (PSIAS) revised in April 2017, and the guidance is provided by the accompanying CIPFA Local Government Advisory Note (LGAN) revised in April 2019. **Note:** new internal audit standards were implemented and will apply from 1 April, 'The Global Internal Audit Standards in the UK Public Sector'.
5. The PSIAS require the HoIAS to provide an annual report to 'the Board' timed to support the annual governance statement (AGS). The Internal Audit Charter (last revised January 2024) defines the Corporate

Governance Committee as the Board and recognises that it should formally receive the HoIAS' annual report.

6. The annual report must include:
  - a. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment.
  - b. a summary of the audit work from which the opinion is derived;
  - c. a comparison of the work undertaken with the work that was planned, including a summary of the performance of the internal audit function.
  - d. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP).
  - e. any issues the HoIAS judges particularly relevant to the preparation of the AGS.
7. The detailed annual report for 2024-25 is provided in the **Appendix**. Although not a PSIAS requirement, the annual report will be made available to all members of the County Council. The report includes the HoIAS' opinion.

Rationale - The HoIAS considers there was sufficient input by LCCIAS across the control environment to be able to give a full opinion. Assurance continued to be supplemented by good relationships with senior management, transparency over reporting significant governance issues in the draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Currently, six audits either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. Because some audits haven't been fully closed there could yet be a few more, lower graded ratings but this will not affect the overall opinion. There was also an increase in the number of reactive investigations which LCCIAS either supported/advised on or led. Whilst these could indicate a weakening control environment, management has continued to accept and respond positively and strongly to LCCIAS recommendations. Nottingham City Internal Audit completed three of its four planned audits of EMSS main financial systems and gave an overall positive opinion.

Opinion - Reasonable assurance is given that the Council's control environment has remained overall adequate and effective during 2024-25.

The HoIAS opinion will also be reported in the AGS for 2024-25.

8. **Annex 1** provides detail on how the annual internal audit opinion was formed, defines types of audits, the components of the control environment and what it is designed to achieve and provides a caveat on any opinion reached.

9. **Annex 2** lists the audits undertaken during the year. For assurance audits the individual audit opinion is given. The Annex also contains details of other relevant work undertaken.
10. Headlines from the report are: -
- a. The HoIAS opinion on the overall adequacy and effectiveness of the control environment remained positive.
  - b. Most assurance audits conducted returned substantial assurance ratings. Those where less assurance was given will continue to be subject to further audit scrutiny.
  - c. Similar numbers of assurance audits and consulting (advisory) engagements were conducted. Most work was completed by the date of this report, with a relatively small carry over.
  - d. Development and training continued.
  - e. Other than one long-term medical absence on the whole staff attendance was excellent.
  - f. Customer satisfaction remained positive.

### **Resource Implications**

11. There was a budget underspend mostly due to staffing savings from unfilled vacancies and transfers out, and additional income from providing internal audit service to other organisations.

### **Equality and Human Rights Implications**

12. There are **no specific** equality and human rights implications contained within the annual summary of work undertaken.

### **Recommendations**

13. That the Committee **notes** the Internal Audit Service annual report for 2024-25 (attached as an appendix).
14. That a copy of the Annual Report for 2024-25 be circulated to all members of the County Council for information.

### **Background Papers**

The Constitution of Leicestershire County Council  
Accounts and Audit Regulations (Amendment) 2015  
The Public Sector Internal Audit Standards (revised from April 2017)

### **Circulation under the Local Issues Alert Procedure**

None

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# **Leicestershire County Council Internal Audit Service Annual Report 2024-25**

**Neil Jones CPFA, Head of Internal Audit Service,  
Leicestershire County Council**

**6 June 2025**

**LEICESTERSHIRE COUNTY COUNCIL**  
**INTERNAL AUDIT SERVICE**  
**ANNUAL REPORT 2024-25**

**Background**

1. A common set of Public Sector Internal Audit Standards (PSIAS) was adopted in April 2013 and revised from April 2017. The PSIAS encompass the mandatory elements of the Global Institute of Internal Auditors (IIA Global) International Professional Practices Framework (IPPF) as follows: -
  - i. The Mission of Internal Audit
  - ii. Definition of Internal Auditing
  - iii. Core Principles for the Professional Practice of Internal Auditing
  - iv. Code of Ethics
  - v. International Standards for the Professional Practice of Internal Auditing
2. Additional requirements and interpretations for the local government sector have been inserted into the PSIAS and all principal local authorities must make provision for internal audit in accordance with the PSIAS.
3. The objectives of the PSIAS are to: -
  - a. define the nature of internal auditing within the UK public sector.
  - b. set principles for carrying out internal audit in the UK public sector!
  - c. establish a framework for providing internal audit services, which add value to the organisation, leading to improved organisational processes and operations.
  - d. establish the basis for the evaluation of internal audit performance and to drive improvement planning.
4. The PSIAS require the Head of Internal Audit Service (HoIAS) to provide an annual report to 'the Board' (Corporate Governance Committee) timed to support the annual governance statement.
5. The PSIAS state that the annual report must include:
  - A. an annual internal audit opinion on the overall adequacy and effectiveness of the Council's governance, risk and internal control frameworks (i.e., the control environment) and disclosure of any qualifications to the opinion, together with the reasons for the qualification
  - B. a summary of the audit work from which the opinion is derived (including reliance placed on work by other assurance bodies) and disclosure of any impairments or restriction in scope.
  - C. a comparison of the work undertaken with the work that was planned, including a summary of the performance of the internal audit function against its performance measures and targets.
  - D. a statement on conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP) and progress against any improvement plans resulting from a QAIP external assessment.
  - E. any issues the HoIAS judges particularly relevant to the preparation of the annual governance statement

6. The PSIAS apply to annual reports relating to the financial year 2024-25. From 1 April 2025, local government internal audit functions will need to apply the Global Internal Audit Standards in the UK Public Sector (GIAS UK Public Sector).

**The Annual Internal Audit Opinion on the Adequacy and Effectiveness of Leicestershire County Council's Control Environment**

7. **Annex 1** provides detail on how the annual internal audit opinion was formed, explains the types of audits undertaken, the components of the control environment and what it is designed to achieve, and provides a caveat on any opinions reached.
8. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, the professional judgement of the HoIAS in evaluating other related activities and recognising other independent assurances received in the year, the following overall opinion has been reached: -

Rationale - The HoIAS considers there was sufficient input by LCCIAS across the control environment to be able to give a full opinion. Assurance continued to be supplemented by good relationships with senior management, transparency over reporting significant governance issues in the draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Currently, six audits either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. Because some audits haven't been fully closed there could yet be a few more, lower graded ratings but this will not affect the overall opinion. There was also an increase in the number of reactive investigations which LCCIAS either supported/advised on or led. Whilst these could indicate a weakening control environment, management has continued to accept and respond positively and strongly to LCCIAS recommendations. Nottingham City Internal Audit completed three of its four planned audits of EMSS main financial systems and gave an overall positive opinion.

Opinion - Reasonable assurance is given that the Council's control environment has remained overall adequate and effective during 2024-25.

### **A summary of the audit work from which the opinion is derived**

9. **Annex 2** lists the audits and all other work undertaken by LCCIAS during the year and where appropriate contains the individual audit opinion.
10. 54 of the audits started in 2024-25 (52 in 2023-24) were 'assurance' type defined as '*An objective examination of evidence for the purpose of providing an independent assessment*'. At 31 May 2025, 39 audits (72%) were complete to draft report stage. Unless there's certainty that the grading will not change, 14 audits are currently showing as to be confirmed 'TBC'. 1 audit was cancelled at management request.
11. 30 audits (77%) of those returned a 'substantial assurance' rating, meaning the controls in place to reduce exposure to risks to achieving the system's objectives were well designed and were being operated effectively. 6 audits contained either contained high importance (HI) recommendations or a collective number of recommendations which signified a serious control weakness had been identified and were graded 'partial assurance' rating. 3 audits are awaiting confirmation of gradings with management.
12. Nottingham City Council Internal Audit (NCCIA) undertook the audits of East Midlands Shared Service (EMSS) key financial transactional systems. During 2024-25, NCCIA provided 7 reports (4 relating to concluding 2023-24 audits). Overall opinions were positive.
13. LCCIAS provided consulting/advisory across a range of topics. Additionally, the Service continued to review a high number of Information Security Risk Assessments 23 (39) and other IT changes which demonstrates the continuing pace of change the Council is driving.
14. The number of grants audited and certified was stable 18 (17). These continue to take a lot of internal audit resource.
15. LCCIAS input to investigations (not necessarily fraud/theft). A number of investigations started in 2024-25 are still in train. The Counter Fraud Annual Report contains a summary of the number and type of investigations and outcomes. Activity on investigations is produced annually to meet the requirements of the Local Government Transparency Code.
16. A range of work is conducted across the wider control environment and in direct support to other departments.
17. The HoIAS is also responsible for the compilation of the Council's Annual Governance Statement (AGS) and retains oversight of the counter fraud, risk management and insurance functions and chairs a group specifically engaged in the Council's property and occupants risk. Managing these functions gives the HoIAS wider insight into forming an opinion on the adequacy and effectiveness of the control environment
18. A 'potential impairment' to LCCIAS' independence and objectivity (responsibility for the corporate risk management framework) is declared in the Internal Audit Charter which was revised in January 2024. A revised

Charter will need to be produced to conform to the GIAS in the UK Public Sector implemented from 1 April 2025.

19. Staff continued to work remotely but there's a hybrid approach, with in person attendance at Committees, working groups and team briefings. There were full team sessions on implementing the new internal audit standards.
20. The HoIAS places reliance on work by other assurance bodies for example:
  - A. Nottingham City Council Internal Audit (NCCIA) provides the internal audit function for East Midlands Shared Services (EMSS). During the year NCCIA completed audits of payroll, accounts receivable and accounts payable and all received moderate assurance. The planned audit of IT – System Admin and access controls was cancelled because sufficient assurance had been provided by the external auditor. The Interim Head of Internal Audit for NCCIA is reporting to the EMSS Joint Committee on 16 June that, 'A "moderate" level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered'.
  - B. Additionally, the HoIAS took assurance from the Grant Thornton's 'Auditors Annual Report on the County Council for 2023-24'. He also reviewed the Council's Overview & Scrutiny Annual Report 2024-25.
  - C. More detailed information on the above is contained in Annex 1

**Work undertaken including a summary of the performance of the internal audit function.**

21. The table below shows the resources planned and delivered for the Council

**Table 1: Staff resources allocated & delivered – to 30 April 2025**

<b><u>All figures are in days</u></b>	<b><u>1/4/24</u></b>	<b><u>30/4/25</u></b>		
	<b><u>Planned</u></b>	<b><u>Delivered</u></b>	<b><u>+/-</u></b>	<b><u>Reason</u></b>
<b><u>Allocated (1/4/24) &amp; recorded (30/4/25)</u></b>				
LCC IA including contingency 34 days	1,170	730	-440	A
Counter Fraud - proactive & advisory	35	50	+15	B
EMSS IA - reports, HoIA annual plan etc	10	13	+3	C
<b><u>Sub-total LCC IA &amp; CF and EMSS IA</u></b>	<b><u>1,215</u></b>	<b><u>793</u></b>	<b><u>-422</u></b>	
<b><u>Sub-total managing LCC IA &amp; CF</u></b>	<b><u>248</u></b>	<b><u>385</u></b>	<b><u>+137</u></b>	D
<b><u>Total allocated/recorded on LCC IA &amp; CF and EMSS IA</u></b>	<b><u>1,463</u></b>	<b><u>1,178</u></b>	<b><u>-285</u></b>	
<b><u>Percentage of original plan resources</u></b>	<b><u>100%</u></b>	<b><u>81%</u></b>	<b><u>=</u></b>	
Outside of the IA plan – other assurances Risk Management, AGS & Insurance	75	96	+21	

22. Some reasons for the larger variations are: -

A. Resources planned/delivered - A mix of: -

- i. Starting resource plan was based on recruiting to a known vacancy and retaining others. However, LCCIAS' overall staffing resource was reduced during 2024-25. Two vacancies were unfilled (one Senior Auditor for the whole year and one Auditor from mid-December 2024). There were plans to review and redesign the Service and so permanent appointments to replace the vacant posts were held back. Additionally, three employed staff and one agency were lost from 1 August due to Leicester City Council choosing to end its arrangement for LCCIAS to provide its internal audit function.
- ii. Higher than expected long-term medically related sickness absence.
- iii. More time than was planned was incurred in terminating the arrangements to provide internal audit to Leicester City Council. The cost of the additional time incurred was recharged to Leicester City Council.

B. Counter Fraud - Significant front end of year investment in policy and procedure reviews, developing CF training and guidance and developing avenues for reporting fraud.

C. EMSS - Relates to the time incurred in supporting arrangements for Nottingham City Council Internal Audit to provide 2023-24 reports and an annual opinion: a 2024-25 annual plan and future arrangements.

D. Sub total managing the IA & CF function – a mix of: -

- i. Developing the service - Predominantly research and training for the forthcoming implementation of new internal audit standards. Additionally, time was incurred finalising the External Quality Assessment and developing and maintaining a plan to implement associated actions.
- ii. LCC Corporate requirements - Perhaps overestimated the initial allocation required but was based on previous year trend
- iii. Planning, allocation & reporting - Significant investment in the strategic and annual planning and reporting methodology. Considerable time taken to conduct progress v plan reviews and needs to be made more efficient

23. The table below show assignments completed/ongoing.

**Table 2: Assignments completed/ongoing at 31 May 2025**

	<u>2023-24</u>	<u>2024-25</u>	<u>+/-</u>
Assurance audits (undertaken by LCCIAS)	52	54	+2
Assurance audits (review NCCIA/EMSS)	4	7	+3
Close off HI recommendations	9	7	-2
Consulting assignments	13	11	-2
Information Security Risk Assessments	39	23	-16
Grant certification	17	18	+1
Investigations - concluded	14	21	+7
Other control environment	23	19	-4
Assist other functions	4	5	+1
<b>Total</b>	175	165	-10

24. Internal audit plans are increasingly short-term statements of intent rather than guaranteed coverage and need to be flexible and retain contingency to adapt to changes in risk and priorities. Some resource has already been utilised in 2025-26 completing prior year audits.
25. There was a large budget underspend mainly due to staffing budget savings but also increased trading income.
26. Returns of customer satisfaction questionnaires remain low. Nevertheless, those being audited continue to rate service received and value added as 'very satisfied'. As part of the recent External Quality Assessment, questionnaire responses from senior management and members were positive and 75% had been returned (above average). The Assessor reported, *'The Internal Audit service receives favourable feedback from clients who are appreciative of the approachable, flexible and client focused support that is provided'*.
27. The drive to becoming more agile by using available technologies and pushing ahead on the use of a data analytics (and AI) tools remains work in progress. A data analytics and strategy has been devised.

**Conformance with the PSIAS and the results of the internal audit Quality Assurance and Improvement Programme (QAIP)**

28. At its meeting on 20 May 2024, the Committee was informed that the outcome of the External Quality Assessment (2024) was *'The Leicestershire County Council internal audit service is delivering to a standard that generally conforms with the Public Sector Internal Audit Standards'*.
29. The Assessor made two recommendations relating to the QAIP which were graded, *'The Internal audit service should review its approach in this area to better reflect the application of the PSIAS'*.
30. The Committee received a follow up report at its meeting on 6 December 2024 explaining that some of the improvement recommendations would need to be reviewed against any new requirements in the GIAS UK Public Sector introduced from 1 April 2025.

**Any issues the HoIAS judges particularly relevant to the preparation of the Annual Governance Statement (AGS)**

31. The HoIAS has responsibility for overseeing the compilation of the AGS. As part of the process, he arranges a senior officers 'governance group' to review the content and agree any significant governance issues that should be reported in the AGS, before it is presented to the Committee.
32. Two new significant governance issues will be reported in the draft AGS for 2025-25.
33. The HoIAS also considers that the prospect of local government reorganisations should be reflected as a future challenge to the County Council and once identified, risks will need to be mitigated.

Neil Jones CPFA  
Head of Internal Audit & Assurance Service  
LCCIAS

6 June 2025.



**The Head of Internal Audit Service's Annual Opinion  
on the overall adequacy and effectiveness  
of the control environment  
2024-25**

Neil Jones CPFA, Head of Internal Audit & Assurance Service,  
Leicestershire County Council

6 June 2025

## Background

The Head of Internal Audit and Assurance Service, undertakes the role and responsibilities of the County Council's Head of Internal Audit Service (HoIAS). The HoIAS manages Leicestershire County Council's Internal Audit Service (LCCIAS). LCCIAS was externally assessed in the Spring of 2024 as 'generally conforming' (top rating) to the Public Sector Internal Audit Standards (the PSIAS)<sup>1</sup>. The PSIAS require the HoIAS to give an annual opinion on the overall adequacy and effectiveness of the Council's control environment (its framework of governance, risk management and control). The PSIAS definition of the control environment is found at the end of this document, along with further explanation from the Institute of Internal Auditors about what an effective system of internal control facilitates.

The HoIAS opinion is **macro**-assurance over a defined period (2024-25) and combines:

- An objective assessment based on the results of individual audits undertaken and actions taken by management thereafter. Individual internal audit opinions on what level of assurance can be given as to whether risk is being identified and adequately managed are formed by applying systematic grading to remove any elements of subjectivity. Draft reports are taken account of. **Annex 2** lists the audits and other work undertaken during the year and where appropriate the individual audit opinion. Individual audit engagements provide targeted **micro**-assurance.
- Professional judgement of the HoIAS based on his knowledge, experience, and evaluation of other related activities. This provides a holistic, strategic insight into the County Council's control environment.
- The HoIAS' recognition of some other independent assurances received in the year.

The results of the above, when combined, form the basis for the HoIAS opinion on the overall adequacy of the Council's control environment (see definitions). However, the caveat at the end of the document explains what internal control cannot do, i.e., no system of internal control can provide absolute assurance against material misstatement or loss, nor can LCCIAS give absolute assurance, especially given its limited resource. The work of LCCIAS is intended only to provide reasonable assurance on the overall adequacy and effectiveness of the control environment based on the work undertaken and known facts.

## Governance related internal audit work.

A wide range of assurance and consulting audits (see definitions at the end of this document) were undertaken. Overall, recommendations were to improve governance i.e. not to have to establish it.

The HoIAS attended the Corporate Governance Committee (the Committee) to present plans and reports on the internal audit activity, and other reports (in his wider role) on risk management (including property & occupants' risk, counter fraud, and insurance) and the Annual Governance Statement. Overseeing these other functions enabled him to gauge Director and Member level governance at first hand. The HoIAS reviewed other reports presented to the Committee and monitored Members' engagement as part of his holistic governance assessment.

<sup>1</sup> From 1 April 2025, the PSIAS are replaced by the Global Internal Audit Standards in the UK Public Sector

The HoIAS developed and conducted member induction training and provided input to the Annual Report of the Committee to full Council and the report on the governance arrangements for external bodies for which the County Council has a key role.

The HoIAS is part of a senior officer group that reviews the draft Annual Governance Statement (AGS).

The HoIAS had regular discussions with the Chief Executive, Directors and particularly the Chief Financial Officer (CFO), the Assistant Director (Finance, Strategic Property and Commissioning) and the Monitoring Officer (MO) on governance issues and related internal audit aspects. The HoIAS attends Corporate Management Team to present reports when required.

The HoIAS reviewed annual performance reports including the County Council's overall performance and expenditure benchmarking position and progress and the Overview and Scrutiny Annual Report 2024-25.

The HoIAS provided the annual update to the external auditors Informing the audit risk assessment for Leicestershire County Council 2024/25 and assisted the Chair of Corporate Governance Committee with his response on awareness of fraud risk at the Council.

The HoIAS also reported separately on internal audit work to the Local Pension Board and Committee and ESPO Finance & Audit Sub-Committee all of which have Council representation.

### **Risk management related internal audit work**

Most audits planned and conducted were 'risk based' i.e. ensuring that the Council's management identifies, evaluates, and manages risk to achieving its objectives i.e. ensuring controls are in place to reduce risk exposure.

LCCIAS provided challenge and advice to the completion of higher risk Information Security Risk Assessments (ISRA). Information and technology (I&T) play a critical role for all services provided by the Council, and it is vital that I&T risks are effectively identified, assessed, managed, and reviewed at the appropriate times.

Key audits of I&T hardware and software and cyber security focussed on risk management. A key audit of Business Continuity arrangements was undertaken. The I&T Auditor was interviewed as part of an independent external cyber risk assessment and has designed cyber risk questionnaires for maintained schools.

Other risk management work was undertaken in consulting audits and developments to the overall control environment.

Overall, recommendations related to improving risk management i.e. not to have to establish it.

The HoIAS is responsible for the overall administration, monitoring, and reporting of the corporate risk management framework. The PSIAS require that this 'potential impairment' to independence and objectivity is declared in the Internal Audit Charter.

Regarding counter fraud risk responsibility, proactively LCCIAS self-assessed against the CIPFA Code of Practice – Managing the Risk of Fraud & Corruption. The exercise was peer reviewed by the Corporate Fraud Manager at Leicester City Council and the outcome was positive (meets the standard), with a score of 93%. LCCIAS developed and introduced a range of counter fraud guidance and tools including a fraud referral portal. Reactively, the Service was involved to varying degrees in investigations, a summary of which are reported in the inaugural Counter Fraud Annual Report.

The HoIAS continued to chair a multi-faceted group focussing on property and occupant's risk and feeds into groups considering the impacts of the 'Prevent' and 'Protect duties' on the Council as part of the Government's CONTEST (counter terrorism strategy).

#### **Financial (and I&T) Controls related internal audit work.**

Several important assurance audits were undertaken that were predominantly a financial or I&T control theme. Large scale audits of both adult's and children's direct payments systems were undertaken. Consulting audits of the escalated financial controls processes were completed. LCCIAS continued to review Nottingham City Council audits of EMSS systems. An Audit Manager attends a regular Financial Controls Group which considers such topics as compliance to finance policies and financial performance.

## **Other independent assurances received in the year.**

### **East Midlands Shared Service (EMSS)**

For the Head of Internal Audit Opinion – 2024-25, the Interim HoIA at NCC concluded that a “moderate” level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered. The situation with the provision of internal audit will continue to be closely monitored.

### **Grant Thornton UK LLP’s Auditor’s Annual Report on the County Council for 2023-24**

The Auditor's Annual Report (AAR) is a detailed review of the value for money (VfM) arrangements at the Council. The report was presented to Committee on 6 December 2024 and covered four areas. These were financial sustainability; governance; improving economy, efficiency, and effectiveness and the opinion on the financial statements. Overall, the auditor's report was positive and concluded that the Council has a good track record of sound financial management, had strong arrangements in place to manage the financial resilience risks, has a clear and documented governance framework in place that ensures all relevant information is provided and challenged before all major decisions are made. No significant weaknesses were reported.

Regarding governance, eight improvement recommendations were made five related to the functions undertaken by LCCIAS. Status at the date of this report was ‘Partially complete, full completion September 2025’.

**HolIAS opinion 2024-25**

Rationale - The HolIAS considers there was sufficient input by LCCIAS across the control environment to be able to give a full opinion. Assurance continued to be supplemented by good relationships with senior management, transparency over reporting significant governance issues in the draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Currently, six audits either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. Because some audits haven't been fully closed there could yet be a few more, lower graded ratings but this will not affect the overall opinion. There was also an increase in the number of reactive investigations which LCCIAS either supported/advised on or led. Whilst these could indicate a weakening control environment, management has continued to accept and respond positively and strongly to LCCIAS recommendations. Nottingham City Internal Audit completed three of its four planned audits of EMSS main financial systems and gave an overall positive opinion.

Opinion - Reasonable assurance is given that the Council's control environment has remained overall adequate and effective during 2024-25.

## **Definitions**

The revised 2017 Public Sector Internal Audit Standards (the PSIAS) define the following: -

### **Assurance audit**

An objective examination of evidence for the purpose of providing an independent assessment on governance, risk management and control processes for the organisation. Examples may include financial, performance, compliance, system security and due diligence engagements.

### **Consulting audit**

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organisation's governance, risk management and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

### **Governance**

The combination of processes and structures implemented by the board to inform, direct, manage and monitor the activities of the organisation toward the achievement of its objectives.

### **Risk Management**

A process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organisation's objectives.

### **Control**

Actions taken by management, the board and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

### **Control Environment**

The attitude and actions of the board and management regarding the importance of control within the organisation. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. It includes the following:

- Integrity and ethical values
- Management's philosophy and operating style
- Organisational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

The IIA defines the control environment as the foundation on which an effective system of internal control is built and operated in an organisation that strives to achieve its strategic objectives, provide reliable financial reporting to internal and external stakeholders, operate its business efficiently and effectively, comply with all applicable laws and regulations, and safeguard its assets.

### Caveat

The Financial Reporting Council in an Auditing Practices Board briefing paper, 'Providing Assurance on the Effectiveness of Internal Control' explains what internal control cannot do, namely: -

'A sound system of internal control reduces, but cannot eliminate, the possibility of poor judgement in decision making, human error, control processes being deliberately circumvented by employees or others, management overriding controls and the occurrence of unforeseen circumstances. A sound system of internal control therefore provides **reasonable, but not absolute assurance** that an organisation will not be hindered in achieving its objectives, or in the orderly and legitimate conduct of its business, by circumstances which may reasonably be foreseen. A system of internal control cannot, however, provide protection with certainty against an organisation failing to meet its objectives, or all material errors, losses, fraud or breaches of laws and regulations'.



**Assurance Audits**

<b><u>Department</u></b>	<b><u>Entity</u></b>	<b><u>Final report (or position) at 31 May</u></b>	<b><u>Opinion / Assurance rating</u></b>	<b><u>HI Rec'n</u></b>
Adults & Communities	Direct Payments	Final issued	Partial	Yes
Adults & Communities	Financial Abuse of Vulnerable Service Users	Final issued	Substantial	No
Adults & Communities	Residential Settings Claiming for Deceased or Fictitious Residents	Draft issued 30/5	TBC	TBC
Adults & Communities	Deprivation / Non-Declaration of Capital	Job scoped	TBC	TBC
Chief Executives	City Council Coroner & Recharges	Final Issued	Partial	Yes
Chief Executives	Registrars Audit	Draft issued 29/5	TBC	TBC
Chief Executives	Developer Contributions (s106/s278)	Planning stage – client delays	TBC	TBC
Children & Family Services	Hose CE Primary School	Final issued	Substantial	Yes

Children & Family Services	Orchard CE Primary School	Final issued	Substantial	Yes
Children & Family Services	Packington CE Primary School	Draft issued	Substantial	Yes
Children & Family Services	Congerstone Primary School	Final issued	Substantial	Yes
Children & Family Services	Schools Absence Monitoring	Final issued	Substantial	No
Children & Family Services	Direct Payments	Final issued	Partial	Yes
Children & Family Services	Children's Social Care Placements & Payments	Testing stage	TBC	TBC
Children & Family Services	Emergency Payments (Section 17/24 Payments)	Draft issued 20/5	TBC	TBC
Children & Family Services	Schools Absence Monitoring	Final issued	Substantial	No
Consolidated Risk	Annual Governance Statement – Improvements / Actions	Draft issued	Substantial	No
Consolidated Risk	Annual Governance Statement – Review Accuracy of Departmental Self Assessments	Draft issued	Substantial	No
Consolidated Risk	Annual Performance Review (APR) Compliance	Final Issued	Substantial	No
Consolidated Risk	Approval Process for payment feed	Draft Issued 29/5	Substantial	No

Consolidated Risk	Business Continuity Plans	Final Issued	Partial	Yes
Consolidated Risk	Business Travel Documents	Finalising Draft	TBC	TBC
Consolidated Risk	City Council Coroner & Recharges	Final issued	Partial	Yes
Consolidated Risk	Coroners Audit (Operational Audit)	Final Issued	Substantial	No
Consolidated Risk	Data Protection Audit	Final issued	Substantial	No
Consolidated Risk	Decommissioning of Applications and Servers	Final issued	Substantial	No
Consolidated Risk	Direct Award of Coroner Contract	Final Issued	Substantial	No
Consolidated Risk	Disaster Recovery Audit	Testing Stage	TBC	TBC
Consolidated Risk	Disclosure and Barring Scheme Checking	Final issued	Substantial	No
Consolidated Risk	Early Payment Scheme	Finalising draft	TBC	TBC
Consolidated Risk	Identification, Knowledge and Prioritisation of Business Applications	Finalising draft	TBC	TBC
Consolidated Risk	Implementation of Public Procurement Regulations	Draft to issue	Substantial	No
Consolidated Risk	Key feeder systems – Accounts payable	Final Issued	Substantial	No
Consolidated Risk	Key ICT Controls Audit	Draft to issue	Substantial	No
Consolidated Risk	Oracle Fusion Journal Processing & Approval	Final Issued	Substantial	No
Consolidated Risk	Overtime Payments	Draft to issue	Substantial	No
Consolidated Risk	Payments over £500 Reporting	Final Issued	Substantial	No

Consolidated Risk	Privileged Access	Draft ready to issue	TBC	TBC
Consolidated Risk	S106/S278 Developer Contributions	Audit Scoped	TBC	TBC
Consolidated Risk	Third Party Access and Monitoring	Final Issued	Substantial	No
Consolidated Risk	Travel & Subsistence - Approvals Hierarchy	Finalising Draft	TBC	TBC
Consolidated Risk	Travel & Subsistence Policy – Home to Duty	Finalising Draft	TBC	TBC
Consolidated Risk	Windows 11 Project	Final Issued	Substantial	No
Corporate Resources	Management of Commercial Estate	Cancelled by AD	N/A	N/A
Corporate Resources	Treasury Management	Draft ready to issue	Substantial	No
Environment & Transport	Climate Change & Carbon Emissions	Final Issued	Substantial	No
Environment & Transport	Disclosure and Barring Scheme Checking – Transport Services	Final Issued	Partial	Yes
Environment & Transport	Parking Board (Partnership Working with Districts)	Final Issued	Substantial	No
Environment & Transport	RHWS – Ethics & Culture	Scoped but deferred	TBC	TBC
Environment & Transport	Transport Services – Taxi Tendering and Contract Awards – ProContract.	Finalising draft	TBC	TBC
Environment & Transport	Transport Service – Contract Monitoring Penalty Points System	Testing Stage	TBC	TBC
Environment & Transport	Transport Services – Data Matching – Taxi Clients (SEN) to Pupils Missing Education	Draft ready to issue	Substantial	No

Public Health	Clinical Governance Arrangements	Final issued	Substantial	No
Public Health	Usage of PH Grant	Final issued	Full	No
EMSS	Accounts Receivable (No change in opinion) – 23/24	Final issued July	Moderate	No
EMSS	Accounts Payable (No change in opinion) – 23/24	Final issued July	Significant	No
EMSS	Payroll & HR (No change in opinion) – 23/24	Final issued July	Limited	4xHP remain
EMSS	ICT review (Improved from 'Limited') – 23/24	Final issued July	Moderate	1xHP remain
EMSS	Payroll & HR – 24/25	Final issued	Moderate	3xHP remain
EMSS	Accounts Receivable – 24/25	Final issued	Moderate	No
EMSS	Accounts Payable – 24/25	Final issued	Moderate	No

## Consulting audits

<u>Department</u>	<u>Entity</u>	<u>Final report (or position) at 31 May</u>
Adults & Communities	<p>Consultancy advice to the department regarding direct payment fraud risk following a significant fraud in a neighbouring authority. Department will be advised to self-assess its practices against the other authority's schedule of where its systems failed, to gain self-assurance that similar vulnerabilities are not relevant here.</p> <p><i>Value-added through counter fraud networking enabling the client department to assess risk exposure against the background of a known fraud in a neighbouring authority.</i></p>	Advice concluded
Adults & Communities	Consultancy advice to the department regarding a case of alleged abuse of a service user's finances. Advice includes process review / strengthening to reduce the risk of re-occurrence.	Advice continues
Corporate Resources	Fraud advice to the Country Parks Service regarding a national fraud concern regarding QR-code fraud ("quishing") and parking machines, i.e. fraudulent redirections to copycat websites to make payments.	Advice complete.
Consolidated Risk	National Fraud Initiative 2024/26 – data extraction and upload process complete.	Majority of matches cleared with no fraud identified. Awaiting results of final investigations into Blue Badges and Concessionary Travel Pass matches

Consolidated Risk	<p>ICT Policies and Procedures:</p> <ul style="list-style-type: none"> <li>- Attendance at Information Assurance Group Meeting (including quarterly updates on Information Governance statistics)</li> <li>- Input into Information Security Related Breaches (reported to the ICO) as and when required.</li> <li>- Initial Assessment of ISRAs</li> <li>- Development of a Cyber Self-Assessment Questionnaire for LA maintained Schools</li> <li>- Advice on move from SIMS Financial Management System to a new provider (data migration/retention issues)</li> <li>- Advice to Pensions on the Mazars 3<sup>rd</sup> party arrangements review.</li> <li>- Advice provided - Business Continuity updating of risk on the Corporate Risk Register</li> </ul> <p>Public Services Network (PSN):</p> <ul style="list-style-type: none"> <li>- On going accreditation advice</li> </ul> <p>EMSS Advisory:</p> <ul style="list-style-type: none"> <li>- None provided this quarter</li> </ul> <p><i>Overall Value Added: Proactive timely control and efficiency advice.</i></p>	Ongoing
Consolidated Risk	Escalated Financial Controls - Travel & Subsistence	Finalised
Consolidated Risk	Escalated Financial Controls Consultants & Specialist Advisors	Finalised
Consolidated Risk	Maintained Schools Payroll transition to third party	Finalised
Consolidated Risk	Procure to Pay (P2P)	Complete
Consolidated Risk	Publishing Obligations under the Local Government Transparency Code	Draft recommendations

Consolidated Risk	Zouch Bridge Replacement – f/u recommendations	Complete
	<b>Information Security Risk Assessments (ISRA)</b>  <i>Overall Value Added:</i> <ul style="list-style-type: none"> <li>• <i>Ensure appropriate security controls are considered.</i></li> <li>• <i>Ensure there is relevant commitment, approval and sign off</i></li> <li>• <i>Identification and acceptance of residual risks.</i></li> </ul>	
Corporate Resources	<b>Arcus Trading Standards Solution</b> - Trading Standards Data Management System for tracking or workloads, complaints, creating reports etc.	Signed off 21/11/24
Corporate Resources	<b>ASB Case Management System – ECINS</b> - provides multi-agency partnerships with a secure case management system (Replaces the old Sentinel System)	Ongoing – awaiting stakeholder sign off
Corporate Resources	<b>AssessNET</b> - This is a Risk Assessment Module used by the Health And Safety Section. The system is already used by the Council but LCC are now looking at using the mobile application.	Signed off 9/10/2024
Corporate Resources	<b>Backup system</b> – ISRA for the backup solution and retention for all LCC data	Signed off 12/9/2024
Corporate Resources	<b>C&amp;FS System Decommissioning</b> - Education Systems Replacement programme included a workstream to consider the de-commissioning process for all education systems under the programme umbrella.	Signed off 21/06/24



Corporate Resources	<b>Carebeans</b> - Care Management solution to replace current paper-based system with a cloud-based solution.	Signed off 19/06/24
Corporate Resources	<b>CCTV at Waste Sites</b> - CCTV is in place at Leicestershire County Council's waste sites for crime detection and prevention as well as ensuring the health and safety of staff and visitors.	Signed off 21/08/24
Corporate Resources	<b>CCTV Care Home</b> - Review of a Care Home CCTV security arrangements	Will now be superseded with a general Care Homes CCTV ISRA
Corporate Resources	<b>CCTV for libraries</b> - Generic ISRA for CCTV installations at Leicestershire County Council's libraries. These will be supported by individual CCTV Self Assessments for each library	Signed off 14/01/2025
Corporate Resources	<b>Co-Pilot</b> - Microsoft 365 Copilot is a smart assistant that uses generative AI to help complete tasks, this ISRA is for the CoPilot product.	Signed off 30/04/2025
Corporate Resources	<b>Egress</b> - Contract renewal for the Egress secure email system	Signed off 11/02/2025
Corporate Resources	<b>Electronic Direct Debit Mandate</b> - Digitising and Automating workflows for the Direct Debits Process reducing manual intervention and the need to print and post documentation.	Signed off 04/02/2025
Corporate Resources	<b>FIS Database Generator</b> - used to import into a system (ProGeneral) which LCC use to analyse learner achievement, retention and pass rates.	Signed off 18/11/2024
Corporate Resources	<b>Generic Devices</b> - Process for the use of generic devices at LCC (includes use of generic login)	ISRA will now be superseded with new one.

Corporate Resources	<b>Genius Software</b> - Accounts Receivables Dialler Solution (Automation of the collection process)	Signed off 04/02/2024
Corporate Resources	<b>Intune Revised ISRA</b> - Intune is used to manage and control all corporate smartphones, Windows 11 devices and Defender. The ISRA has been updated to reflect changes in device management policies, guidelines by NCSC etc.	Signed off 13/11/2024
Corporate Resources	<b>LAS Mobile App</b> - The Liquidlogic mobile app is intended to be an extension of the Liquidlogic System, enabling agile working and access to case information while out of the office using a mobile device such as a tablet.	Signed off 30/07/24
Corporate Resources	<b>Modern Desktop Programme</b> - Microsoft Windows 10 becomes out of support in October 2025 as a result a programme of work is underway to upgrade all end user devices to Windows 11, to ensure the Council remains PSN compliant.	Signed off 06/06/24
Corporate Resources	<b>My Council Services Digital Platform</b> - New system is a forms and case management platform tailored for use within Local Authorities. The initial use case for this solution will be Blue Badges.	Signed off 19/08/24
Corporate Resources	<b>Otter Artificial Intelligence</b> - voice transcription services which can identify who is speaking in a meeting.	Signed off 16/05/24
Corporate Resources	<b>Secure Email Gateway</b> – Internet email threats - LCC sends and receives email to/from the Internet via a Secure Email Gateway (SEG) which has been migrated fully to Cloud, hosted by the supplier in Manchester and London.	Signed off 19/07/24
Corporate Resources	<b>SENA Project</b> - Use of Co-Pilot to process information obtained via Granicus application forms for parents applying for additional support for Special Education Needs Assessments (SENA).	Signed off 15/05/2025

Corporate Resources	<b>Zurich Insurance UK</b> - Zurich Insurance UK is an insurance company which provides insurance cover for the Academies scheme. Zurich uses a hub portal to upload claim details instead of sending via email.	Signed off 21/08/24
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### Grant certifications

<u>Department</u>	<u>Entity</u>	<u>Final report (or position at 31/5</u>	<u>Opinion / Assurance rating</u>	<u>HI Rec'n</u>
Adults & Communities	The Disabled Facilities Capital Grant (DFG) Determination 2023-24 (31/6672) & Additional Funding 2023-24 (31/6833) = 2 claims audited	Testing	N/A	N/A
Children & Family Service	Basic Need Grant Determination (2023): No 31/6475	Certification letter issued.	N/A	N/A
Children & Family Service	Multiply Grant	Certification email issued	Certified	N/A
Children & Family Service	Supporting Leicestershire Families Claim (Quarters 2-4 2024/25 = 3 claims audited)	Certification email issued	Certified	N/A
Environment & Transport	Bus Recovery Grants No 31-6144, 31-6361, 31-6612, 31-6707 = 4 claims audited	Signed	Certified	No
Environment & Transport	Bus Services Operators Grant No 31/7227	Certification letter issued	Certified	No
Environment & Transport	Bus Subsidy (Revenue) Grant: Determination 2023/24: No 31/6909	Testing	N/A	N/A
Environment & Transport	Grant Determination for the Local Authority Major Project Grant No: 31/6813	Certification letter issued	Certified	No

Environment & Transport	Leicestershire CAN-De Project – Q1 Independent Accountant's Report	Certification letter issued	Certified	No
Environment & Transport	Local Transport Capital Block Funding (Integrated Transport & Highway Maintenance Blocks) Specific Grant Determination (2023/24): No 31/6681  Local Transport Capital Block Funding (Pothole Fund) Specific Grant Determination (2023/24): No 31/6680 = 2 claims audited	Certification letter issued	Certified	No
Environment & Transport	Major Road Network Grant No 31-6226	Signed	Certified	No

**Other control environment/assurance work**

<b><u>Department</u></b>	<b><u>Entity</u></b>	<b><u>Final report (or position) at 31/5</u></b>
Governance	Conflicts of Interest/Declarations Project in conjunction with Director of Law & Governance, Assistant Director Corporate Services & the Head of Procurement and Supply Chain Management. Tableau reporting tool up and running following the recent introduction of the Dash forms for registering an interest/gift/hospitality to replace the manual system.	Complete
Governance	Annual Governance Statement (AGS) 2023-24 published with draft Statement of Accounts	Complete
Governance	Draft Annual Governance Statement 2024/25 in process of being drawn up	Ongoing
Governance	<p>Financial Controls Group membership focussing on the following key areas:</p> <ul style="list-style-type: none"> <li>• Dealing with applications for exception to corporate policy</li> <li>• Monitoring of compliance of policies (through clear metrics)</li> <li>• Review any future changes required to existing policies.</li> <li>• The facilitation of Oracle upgrades and issues arising</li> </ul> <p>Other related issues around financial performance (such as level of debts/write-offs)</p>	Ongoing

Governance	In conjunction with the Head of Democratic Services undertook a review of good governance guidance to understand any statutory requirements to complete in readiness for the biennial review of Local Code of Corporate Governance	Ongoing
Risk Management	Property & Occupants Risk Management Group <ul style="list-style-type: none"> <li>- Quarterly meetings</li> <li>- Refresher advice regarding security and access to buildings following disorder</li> </ul>	Ongoing
Risk Management	Corporate Risk Register updates – cycle for each Committee	Ongoing
Counter Fraud	A range of counter fraud comms has been developed to coincide with International Fraud Awareness Week (17-23 November 2024).	Complete.
Counter Fraud	Biennial assessment of top fraud risks faced by the Council.	Complete. Tabled at CGC December 2024.
Counter Fraud	Biennial refresh of the Council's suite of counter fraud policies.	Complete.
Counter Fraud	Continued discussions with Legal Services and Information Governance regarding a legal gateway to data match employees' addresses with a view to identifying any undeclared close personal relationships between employees and feasibly then any undeclared conflicts of interest.	Discussions have concluded this is not a likely path to go down due to GDPR concerns regarding proportionality.
Counter Fraud	Development of inaugural annual Counter Fraud Report to Corporate Governance Committee.	Work complete. Tabled at CGC June 2025.
Counter Fraud	Development of mandatory counter fraud <i>refresher</i> training module (two-yearly), n.b. on-going refresher supplementary to the main counter fraud training module.	Complete.

Counter Fraud	Preliminary discussions with a number of key stakeholders and other local authorities regarding the perceived advantages and disadvantages of subscribing to products such as the CIFAS Internal Threat Database as an additional employee onboarding process designed to prevent insider fraud and additional services available through the National Fraud Initiative.	Discussions complete.
Counter Fraud	Refresh of the Council's fraud information pages on the corporate intranet.	Complete
Counter Fraud	Relaunch of mandatory counter fraud training module (mandatory recertification for all staff within a six-month window).	Complete.
Counter Fraud	Roll out of FFCL Adult Social Care Fraud Toolkit within departments (A&C, Corporate Resources) through awareness raising sessions.	Roll-out commenced.
Counter Fraud	Set-up of both a generic mailbox (fraud@leics.gov.uk) and web e-form to open additional avenues for fraud referrals to be made.	Complete
Counter Fraud	Significant input into fraud-proofing controls work with regards to the Council's administration of the Household Support Fund.	Advice complete.



**Work assisting other functions.**

<b><u>Department</u></b>	<b><u>Entity</u></b>	<b><u>Final report (or position) at 31/5</u></b>
East Midlands Freeport	HolAS role of Security and Illicit Activity lead. Met with partners' security risk leads	Ongoing
Environment & Transport	HolAS appointed to the Assisted Transport Improvement Board set up after investigations to ensure that pressing issues affecting compliance with LCC standards, the effective operation of the service and staff well-being, receive due corporate focus and priority	Ongoing
Corporate Resources	Input to Transformation Unit-led work on MTFS savings under development – adult social care direct payments fraud	Ongoing
Corporate Resources	Advice to FAIT regarding concerns over the authenticity of a supplier request to change bank accounts.	Advice concluded. No issues arising.
Children & Family Services	Compilation of Cyber Security Self-Assessment Questionnaire for maintained schools.	Ongoing

## **Training, development and networks attended (and substantial other work undertaken)**

### **External Quality Assessment**

Continue to review action plan in line with implementing new global internal audit standards (GIAS)

### **Internal Audit Case Management System**

In the process of renewing contract for final year

### **Local Authorities Chief Auditors Network**

- Regular attendance at meetings by Head of IAS and Audit Managers where appropriate
- Demonstration on root cause analysis

### **Midlands Counties Heads of Internal Audit Groups**

- ICT Audit Sub-Group
  - MCCIAG IT Subgroup meeting held 19<sup>th</sup> January 2024
  - Set up of a shared Teams area for all members through the Staffordshire County Council Teams account.
  - Inputs into IT Points of Practice:
    - Third Party Access Monitoring (Raised by LCC)
    - IT Audit qualifications
    - Use of Co-Pilot
    - Audit Case Management Systems
    - Replacement of Schools SIMS (PoP raised by LCC)
- Fraud Sub-Group
  - Various issues discussed and emerging fraud risks
- Heads of Internal Audit Group
  - Benchmarking service delivery
  - GIAS; reporting; recruitment and retention; independent members

### **Institute of Internal Auditors (IIA)**

- How to embed Data Analytics and AI throughout the Internal Audit Lifecycle (online Webinar)
- Data Analytics and Artificial Assurance Forum – Monthly attendance
- Senior IT Auditor – Panel Member at the ‘Navigating the Digital Frontier: Insights for Non-IT Auditors’ Event
- Regular Regional Committee Board attendance
- ISACA Webinar – Artificial Intelligence Audit Tools

### **Other IT Audit Training: -**

- Webinar (Launch of Cyber Assessment Framework for Local Government)
- Cyber Security Conference for schools 1/10/2024

### **CIPFA Better Governance Forum (and LGA)**

- Changes to Internal Audit Standards & Code of Practice for the Governance of Internal Audit
- Governance & Audit Update

### **Fraud Webinars**

- NAFN – eBay, Gumtree and PayPal (gathering intelligence re. trading by third parties) -
- NWB - Fraud
- CIFAS - Failure to Prevent Fraud
- Cabinet Office - Procurement Act
- NFI - Key Contacts Training & System User Training

### **East Midlands Risk Management Group**

- Financial Resilience of Local Authorities & Corporate Impact and Likelihood Criteria
- Benchmarking service delivery

### **Other training & development**

- Webinars – How to Thrive in a Hybrid World (Maximising Productivity) & How to Lead a Hybrid Team
- Smarter Working Workshop
- Anxiety Awareness; Attendance Management; Mental Health First Aider Refresher and Unconscious Bias Training



## **CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025**

### **JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE CHIEF EXECUTIVE**

### **DRAFT ANNUAL GOVERNANCE STATEMENT 2024-25**

#### **Purpose of the Report**

1. The purpose of this report is to:
  - (a) Outline the background and approach taken to produce the County Council's 2024-25 draft Annual Governance Statement (AGS)
  - (b) Present the draft AGS for comment by the Committee prior to publishing it on the Council's website by 30 June 2025 alongside the draft County Council Statement of Accounts for 2024-25.

#### **Background**

2. Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.
3. 'Delivering Good Governance in Local Government: Framework' by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) (2016) sets the standard for local authority governance in the UK. The preparation and publication of an AGS in accordance with the Framework fulfils the statutory requirement.
4. The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.
5. The AGS encompasses the governance systems applied in both the Authority itself, and any significant group entities e.g. ESPO, East Midlands Shared Services (EMSS) during the financial year being reported. Commercial and collaborative arrangements that the Council is involved in are also reported to provide a fuller picture including assurances.

6. To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework and that the conclusions and future challenges are appropriate, the CIPFA/SOLACE Framework requires high level input from the Committee into the AGS. A draft AGS for 2024-25 (attached as Appendix A to this report) has been produced for initial consideration and any comments made by the Committee will be duly considered and incorporated as appropriate. The final AGS will accompany the published audited accounts in the usual way.
7. The draft AGS has already been considered by a Senior Officer Group comprising of:
  - Director of Law and Governance (the Council's Statutory Monitoring Officer)
  - Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
  - Assistant Chief Executive
  - Assistant Director – Finance, Strategic Property and Commissioning
  - Assistant Director – Corporate Services
  - Head of Democratic Services
  - Democratic Services Manager
  - Head of Internal Audit and Assurance Service

### **Approach**

8. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.
9. The Public Sector Internal Audit Standards (PSIAS)<sup>1</sup> allow the Head of Internal Audit and Assurance Service to assist management in drafting the AGS. The process followed as explained below, has not changed significantly from the previous year.
10. The revised CIPFA/SOLACE Framework (the Framework) requires local authorities to review arrangements against their Local Code of Corporate Governance. The Council's Local Code was revised in April 2022 and is scheduled to be reviewed later this year. Changes in legislation may also require the Code to be reviewed.
11. To ensure the draft AGS represents an accurate picture of the governance arrangements for the whole Council, each Director completes a 'self-assessment' designed to provide details of the measures in place (systems, process, documents etc.) within their departments during the financial year 2024-25, to ensure conformance (or otherwise) to the Framework. The self-assessment also allowed for the recognition and recording of areas where developments are required.

<sup>1</sup> From 1 April 2025, the PSIAS are replaced by the Global Internal Audit Standards (GIAS) for the UK Public Sector

12. The departmental self-assessments required a corresponding score to be given reflecting the department's positions regarding practice, standards and quality. This is a gauge of effectiveness. The application of a quantitative approach to assessing compliance against the seven core principles and best practice contained in the Framework allows the Committee and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment.
13. A Corporate Assurance Statement was also completed to gain an overall organisational perspective of processes in place as described by the seven core principles. This statement also allowed for the recognition and recording of areas where developments were required.
14. The completed statements were analysed along with various other sources of evidence to determine whether there were any significant governance issues that should be reported in the draft AGS. Other sources include:
  - a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council.
  - b. The Head of Internal Audit Service's annual opinion on the overall adequacy and effectiveness of the Authority's control environment (its framework of governance, risk management and internal control arrangements).
  - c. Evaluation of any negative media articles.
15. The draft AGS assesses governance arrangements in place during 2024-25.

#### **Outcome of the 2024-25 review of the Governance Framework**

16. The County Council has defined 'Significant Governance Issues' as those that:
  - a. Seriously prejudice or prevent achievement of a principal objective of the authority;
  - b. Have resulted in the need to seek additional funding to allow it to be resolved, or has resulted in the significant diversion of resources from another aspect of the business;
  - c. Have led to a material impact on the accounts;
  - d. The Corporate Governance Committee advises should be considered as a significant issue for reporting in the AGS;
  - e. The Head of Internal Audit Service reports on as significant in the annual opinion on the internal control environment.
  - f. Have attracted significant public interest or have seriously damaged the reputation of the organisation.
  - g. Have resulted in formal action being undertaken by the Chief Financial Officer and/or the Monitoring Officer;
  - h. The issue has resulted in a legal breach or prompts intervention from a regulator.

17. The final AGS for the previous financial year (2023-24) contained details of two significant governance issues that arose during the financial year. The issues reported were: -

(a) Environment & Transport Department – Assisted Transport Improvement Board

(b) Capital Programme – risk management approach

Section 7 of the draft AGS (Appendix A) provides details of the progress made during 2024-25 to address the issues.

18. During the review of the 2024-25 draft AGS; the Senior Officer Group determined that there were two significant governance issues that require reporting (refer to section 8 of the Appendix for more details). They relate to: -

(a) Children and Family Services – Improving the completion rates of new Education, Health, and Care Plans (EHCPs)

(b) Corporate Resources Department - Reducing the number of contract exceptions and extensions that are approved

19. Similarly, the Senior Officer Group determined that those areas listed in the Future Challenges - Section 9 (Appendix A) will be subject to scrutiny through existing reporting channels

20. The Code of Practice on Local Authority Accounting in the UK 2024-25 (the Code) states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported if pertinent to the prior year. Therefore, in the event of the above occurring, the AGS presented in the Appendix would change at the time of its final publication.

21. Approval and ownership of the draft AGS has been reflected at corporate level and the final statement will be signed on behalf of the Council by the Chief Executive and Leader of the Council and published on the County Council's website along with the audited Statement of Accounts.

### **Recommendations**

22. The Committee is requested to:

- a. Consider the draft AGS 2024-25 (Appendix A) and indicate whether it is consistent with the Committee's own perspective on internal control within the Authority.
- b. Note that there are two significant governance issues reported in the draft AGS 2024-25.



- c. Note that the draft AGS 2024-25 which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice.

### **Resource Implications**

23. None.

### **Equality and Human Rights Implications**

24. None.

### **Background Papers**

CIPFA/SOLACE: Delivering Good Governance in Local Government: Framework (2016)

Report of the Director of Corporate Resources – 'External Audit of the 2023-24 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts' - Corporate Governance Committee 24 January 2025

<https://democracy.leics.gov.uk/documents/s187886/CGC%20-%20SOA%20240125%20-%20160125.pdf>

### **Circulation Under the Local Issues Alert procedure**

None

### **Officers to Contact**

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### **List of Appendices**

Appendix A - Draft Annual Governance Statement 2024-25

## **Draft Annual Governance Statement (AGS) 2024-25**

### **1. Introduction**

Leicestershire County Council (the Council) is responsible for ensuring that its business is conducted in accordance with prevailing legislation, regulation and government guidance and that proper standards of stewardship, conduct, probity, and professional competence are set and adhered to by all those representing and working for and with the Council. This ensures that the services provided to the people of Leicestershire are properly administered and delivered economically, efficiently, and effectively. In discharging this responsibility, the Council must have in place a solid foundation of good governance and sound financial management.

Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control. The preparation and publication of an AGS, in accordance with the CIPFA/SOLACE 'Delivering Good Governance in Local Government: Framework' 2016 (the Framework), fulfils the statutory requirement of the Regulations. The AGS encompasses the governance system that applied in both the Authority and any significant group entities (e.g. ESPO, EMSS) during the financial year being reported.

The AGS 2024-25 will be published with the Statement of Accounts 2024-25.

### **2. What is Corporate Governance?**

Corporate Governance is defined as how organisations ensure that they are doing the right things, in the right way, for the right people in a timely, inclusive, open, honest, and accountable manner. The Council's governance framework comprises the systems and processes, cultures, and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Framework sets the standard for local authority governance in the UK and the Council is committed to the principles of good corporate governance contained in the Framework. The seven principles (A-G) are listed in the Annex. Each principle scored 'Good' meaning conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.

The Council has developed, adopted, and continued to maintain a Local Code of Corporate Governance which sets out the way the Council meets the principles outlined in the Framework. [The Code can be found on the LCC internet.](#)

### 3. Leicestershire's Vision and Outcomes

The County Council's Annual Delivery Report and Performance Compendium 2024 is part of the Council's policy framework and, as such, required the approval of the full County Council at its meeting on 4 December 2024. The documents provide performance data which will help the Council and its partners to ensure services continue to meet standards, provide value for money and that outcomes are being achieved for local people. It is best practice in performance management, and part of the Council's Internal Governance Framework, to undertake a review of overall progress at the end of the year and to benchmark performance against comparable authorities. It is also good practice to produce an annual performance report and ensure that it is scrutinised, transparent, and made publicly available.

The Annual Delivery Report described delivery, progress with implementing agreed plans and strategies, and achievements over the previous 12 months. It largely focused on performance against County Council priorities for community outcomes as set out in its Strategic Plan 2022-26 and other main service strategies. The Report also included information on the financial sustainability and the emergent implications for service demand and outcomes. [The Performance Compendium](#) outlined the inequity in national funding and the Council's Fair Funding proposals, transformation requirements and national and local service pressures, as well as detailed comparative performance metrics.

The Strategic Plan (2022-26), approved by the County Council on 18 May 2022 was refreshed for 2024-26 with revised long-term vision and priorities for the next two years, provides an important strategic planning framework for the Council which aims to ensure that all service plans and strategies contribute to delivery of the Council's vision for Leicestershire.

### 4. What the Annual Governance Statement Tells You

The AGS reports on the extent to which the Council has met the requirements of the Local Code of Corporate Governance and the controls it has in place to manage<sup>1</sup> risks of failure in delivering its outcomes. The main aim of the AGS is to provide the reader with confidence that the Council has an effective system of internal control that manages risks to a reasonable level.

The 2024-25 AGS has been constructed by undertaking: -

- A review of the effectiveness of the Council's system of internal control
- Reviewing other forms of assurance
- Action taken on significant governance issues reported in the 2023-24 AGS
- A consideration of any significant governance issues arising during 2024-25
- Future challenges
- Action to Develop Areas Further

### 5. Review of Effectiveness of the System of Internal Control

To ensure the 2024-25 AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure conformance (or otherwise) with the seven core principles of the Local Code of Corporate Governance. Responses were accumulated to provide a high level overview found in the Annex.

A senior officers group met on 5 June 2025 to review the compilation of the AGS. The group comprises

- Director of Law & Governance (the Council's Statutory Monitoring Officer)
- Director of Corporate Resources (the Council's Statutory Chief Financial Officer)
- Head of Democratic Services
- Assistant Chief Executive
- Assistant Director – Finance & Commissioning
- Assistant Director – Corporate Services
- Head of Internal Audit & Assurance Service

The group has previously determined that progressing areas identified for development, should be the responsibility of designated Directors and Heads of Service during 2025-26. A review of progressing the implementation of previous years planned developments will be undertaken. Any previous year's developments that were not carried forward into 2024-25 or reported through the Corporate Risk Register process will continue to be monitored.

## 6. Forms of Assurance

The Framework provides examples of policies, systems, and processes that an authority should have in place. Using this guidance, the Council can provide assurance that it has effective governance arrangements. The Council has an approved Local Code of Corporate Governance, and this provides examples of good governance in practice.

### The Control Environment of Leicestershire County Council

The Council's Constitution includes Finance and Contract Procedure Rules, and a general Scheme of Delegation to Chief Officers. These translate into key operational internal controls such as: control of access to systems, offices, and assets; segregation of duties; reconciliation of records and accounts; decisions and transactions authorised by nominated officers; and production of suitable financial and operational management information. These controls demonstrate governance structures in place throughout the Council.

### Internal Audit Service

The Council's Head of Internal Audit & Assurance Service (HoIAS) ensured that internal audit arrangements conformed to the requirements of the Public Sector Internal Audit Standards (the PSIAS) revised in 2017<sup>1</sup>. The PSIAS require an external quality assessment (EQA) every 5 years. An EQA was undertaken in early Spring 2024 and the Assessor concluded that, *'The Leicestershire County Council internal audit service is delivering to a standard that generally conforms (the top rating) with the Public Sector Internal Audit Standards'*. Progress on implementing improvement actions was reported to the Corporate Governance Committee 6 December 2024.. The HoIAS also conformed to the governance requirements and core responsibilities of the CIPFA Statement on the Role of the Head of Internal Audit in Public Service Organisations (2019)<sup>2</sup>.

The HoIAS works with the Corporate Management Team to give advice and promote good governance throughout the organisation. The HoIAS leads and directs the Internal Audit Service (IAS) so that it makes a full contribution to and meets the needs of the Authority and external stakeholders, escalating any concerns and giving assurance on the Council's control environment.

There is an Internal Audit Charter (last revised January 2024) mandating the purpose, authority, and responsibility of the internal audit activity. The Charter allows the HoIAS to also be responsible for the administration and development of, and reporting on, the Council's risk management framework. Whilst this does present a potential impairment to independence and objectivity, the HoIAS arranges for any risk management reviews to be overseen by someone outside of the internal audit activity. An independent risk management maturity health check was last undertaken during the autumn of 2018. The next review is planned in the autumn of 2025.

To meet a PSIAS requirement to form an opinion on the overall adequacy and effectiveness of the Council's control environment i.e. its framework of governance, risk management and control, the HoIAS arranges a risk-based plan of audits.

Internal Audit reports often contain recommendations for improvements. The number, type and importance of recommendations determines how the auditor reaches an opinion on the level of assurance that can be given that controls are both suitably designed and are being consistently applied, and that material risks will likely not arise. The combined assessment of individual audit opinions and other assurances gained throughout the year (e.g. involvement in governance groups, attendance at Committees, evaluations of other external assurance provided), facilitate the HoIAS in forming the annual internal audit opinion on the overall adequacy and effectiveness of the Council's control environment.

<sup>1</sup> From 1 April 2025, the PSIAS were replaced by the Global Internal Audit Standards (GIAS) in the UK Public Sector. There is still a requirement to have an EQA every 5 years.

<sup>2</sup> From 1 April 2025, 'organisational responsibilities' listed in the CIPFA Statement, were replaced by a Code of Practice for the Governance of Internal Audit in UK Local Government.

The HoIAS presented his annual report to Corporate Governance Committee on 23 June 2025 and his opinion read: -

**Rationale** - The HoIAS considers there was sufficient input by LCCIAS across the control environment to be able to give a full opinion. Assurance continued to be supplemented by good relationships with senior management, transparency over reporting significant governance issues in the draft Annual Governance Statement and providing detailed updates to risk positions in the Corporate Risk Register. Currently, six audits either contain high importance (HI) recommendations or a partial assurance rating and were reported in summary to Committee during the year. Because some audits haven't been fully closed there could yet be a few more, lower graded ratings but this will not affect the overall opinion. There was also an increase in the number of reactive investigations which LCCIAS either supported/advised on or led. Whilst these could indicate a weakening control environment, management has continued to accept and respond positively and strongly to LCCIAS recommendations. Nottingham City Internal Audit completed three of its four planned audits of EMSS main financial systems and gave an overall positive opinion.

**Opinion** - Reasonable assurance is given that the Council's control environment has remained overall adequate and effective during 2024-25.

## Risk Management

The Corporate Governance Committee has a responsibility to ensure that an effective risk management system is in place. Risk management is about identifying and managing risks effectively, helping to improve performance and aid decision making relating to the development of services and the transformation of the wider organisation. Regular reports and presentations on specific strategic and corporate risks to the Council are provided to the Corporate Governance Committee.

The Council's Risk Management Policy and Strategy (which provide the framework within which risks can be managed) were reviewed, revised, and approved by the County Council in February 2025. An independent review of the framework is to be scheduled with the Council's new insurers.

## Overview and Scrutiny

The cross-party overview and scrutiny function monitors the County Council's financial performance and performance against targets in the Strategic Plan and other related plans on a regular basis. This work is carried out by the Scrutiny Commission and five Overview and Scrutiny Committees which each has responsibility for scrutiny of a particular service area of the Council.

The challenge provided by the overview and scrutiny function has continued to be crucial in shaping Council policy and helping to ensure the delivery of efficient, high-quality services. An annual report which summarised the work undertaken during 2024-25 will be presented to the County Council in July 2025.

## Corporate Governance Committee

The Corporate Governance Committee is responsible for promoting and maintaining high standards of corporate governance within the Council and receives reports and presentations that deal with issues that are paramount to good governance. Terms of reference for the Committee were revised in December 2024 and have been categorised to more clearly set out the varied roles and functions of the Committee.

With regard to the promotion and maintenance of high standards of conduct by members and co-opted members within the County Council, the decisions and minutes of the Member Conduct Panel which meets as required are available on the internet.

The Monitoring Officer submits an annual report to the Corporate Governance Committee on the operation of the Members' Code of Conduct and arrangements for dealing with complaints.

Since July 2023 there have been four complaints received by the Monitoring Officer under the Members' Code of Conduct. These complaints were resolved as set out below:

- 1 complaint withdrawn / not progressed by complainant;
- 3 complaints resolved informally;

During 2024-25 the Committee has provided assurance that: an adequate risk management framework is in place; the Council's performance is properly monitored; internal and external audit is effective and that there is proper oversight of the financial reporting processes.

An annual report which summarises the key business considered by the Committee during 2024-25 will be presented at the meeting in June 2025 and will be presented to County Council in July 2025.

In accordance with CIPFA best practice guidance and following the approval of the County Council in July 2023, two Independent Members are appointed to the Committee. Independent Members are non-elected representatives and as such do not have voting rights but are part of the Committee in an advisory and consultative capacity. Of the 5 committees held in 2024-25 there was only 1 meeting where at least one of the Independent Members didn't attend.

In January 2024, the Committee undertook a self-assessment of good practice against the revised CIPFA Guidance on Audit Committees. The self-assessment provided a high-level review that incorporated the key principles set out in CIPFA's Position Statement: Audit Committees in Local Authorities and Police 2022. The results showed a high degree of performance against the good practice principles and is an indicator that the Committee is soundly based and has in place a knowledgeable membership. These are essential factors in developing an effective audit committee. The results of the self-assessment will be reviewed and along with a self evaluation of knowledge and skills, will be presented to the new committee prior to its meeting on 23 June 2025. The outcomes will be used to support the planning of the Committee's work plan and training plans during 2025-26.

## **The Chief Financial Officer (CFO)**

The Director of Corporate Resources undertakes the statutory role of the Chief Financial Officer (CFO) for the Council. The CFO conforms to the governance requirements and core responsibilities of two CIPFA Statements on the Role of the Chief Financial Officer; in Local Government (2016) and in the Local Government Pension Scheme (2014). The CFO is a key member of the Corporate Management Team and is able to bring influence to bear on all material business decisions, ensuring that immediate and long-term implications, opportunities, and risks, are fully considered and in alignment with the MTFs and other corporate strategies. The CFO is aware of, and committed to, the five key principles that underpin the role of the CFO.

## **The Financial Management Code**

The CIPFA Financial Management Code translates the principles of good financial management into seven Financial Management Standards. These standards address the aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

The Code does not specify the frequency or the financial year compliance should be reported. The previous (January 2024) updated self-assessment retrospectively gave assurance on compliance at the end of the financial year 2022-23. However, other authorities report at the start of each financial year based on the latest MTFs and the position at the time. The Council has taken the latter approach for the latest assessment. This allows reporting of the Council's most up to date position and of any improvements, where needed. The Internal Audit Service undertook a high-level review of the 2025-26 self-assessment against the Code (as at 1 May 2025), and a copy of the assessment will be reported to the Corporate Governance Committee in June 2025. Progress against areas for improvement is monitored by the Assistant Director (Finance, Strategic Property & Commissioning)

## **Local (External) Audit**

The Council's local (external) auditors, Grant Thornton LLP, presented the final findings from their planned audit work 2023 -24 to 'those charged with governance' at the Corporate Governance Committee on 6 December 2024.

## **The Auditor's Annual Report (AAR)**

The Auditor's Annual Report (AAR) is a detailed review of the value for money (VfM) arrangements at the Council. The report covered four areas. These were financial sustainability; governance; improving economy, efficiency, and effectiveness and the opinion on the financial statements. Overall, the auditor's report was positive. The external auditor concluded that the Council has a good track record of sound financial management, had strong arrangements in place to manage the financial resilience risks, has a clear and documented governance framework in place that ensures all relevant information is provided and challenged before all major decisions are made. No significant weaknesses were reported. Eight improvement recommendations were made. An action plan tracker has been devised and is being monitored. Some

recommendations have been implemented

## Opinion on the Financial Statements

The auditor gave an 'unqualified' opinion on the 2023-24 financial statements for the County Council and its Pension Fund on 24 January 2025 meaning that the external auditor is satisfied that the financial statements present a true and fair view.

## Annual Audit Plan for the 2024-25 Accounts

The External Audit Plan and Informing the Audit Risk Assessment was reported to Corporate Governance Committee at its meeting on 31 March 2025.

## The Monitoring Officer

The Director of Law & Governance undertakes the statutory role of Monitoring Officer (MO) for the Council. The MO has responsibility for:

- ensuring that decisions taken comply with all necessary statutory requirements and are lawful. Where in the opinion of the MO any decision or proposal is likely to be unlawful and lead to maladministration, he/she shall advise the Council and/or Executive accordingly,
- ensuring that decisions taken are in accordance with the Council's budget and its Policy Framework,
- providing advice on the scope of powers and authority to take decisions.

In discharging this role, the MO is supported by the Deputy Monitoring Officer and officers within the Legal and Democratic Services Teams.

## Senior Information Risk Owner

The position of a SIRO is a requirement under the Data Security and Protection Toolkit, the Assistant Director People, Property and Transformation holds the position of the SIRO for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk. The responsibilities of a SIRO include:

- owning the Council's policies, procedures and processes around information risk, ensuring they are implemented consistently across the Council;
- ensuring compliance with all other policies and procedures relating to information and data;
- managing any escalated risks that have been raised by information owners, Information Governance Team, Audit etc;
- acting as a champion on information risk and report to CMT on the effectiveness of risk management;
- leading and fostering a culture that values, protects and uses information for the success of the Council and benefit of our citizens;
- ensuring that the Council has a plan to monitor and improve information and data governance;
- maintaining expertise in Data Protection and other legislation that impact on Information and Data Governance; and
- owning the Council's information incident management framework.

## Commercial and Collaborative Bodies Governance Arrangements

### Commercial

ESPO is constituted as a joint committee (of six local authorities) set up to provide a comprehensive professional purchasing service to public sector bodies. It is overseen by a Management Committee which has overall strategic responsibility for ESPO. At its meeting on 22 March 2023, the Committee approved changes to the Finance and Audit Subcommittee (the Subcommittee) Terms of Reference, and the Risk Management Policy which provided delegated powers over Internal Audit, External Audit, Risk Management, and the Annual Governance Statement. Internal audit is undertaken by the Council's Internal Audit & Assurance Service as part of the servicing agreement. Like the County Council, the HoIAS presents an annual report to the Subcommittee at its meeting in October. At the time of publishing this draft AGS the annual internal audit opinion for 2024-25 has not been written.



**ESPO Trading Ltd** ESPO's power to trade is restricted to a limited number of public bodies. The establishment of a trading company allows ESPO (Trading) to trade with other organisations – e.g. Care Homes, Nurseries, Housing Associations, Charities and Voluntary Organisations. The Trading is governed under the Companies Act 2006, its Articles of Association and Shareholder Agreement.

**Eduzone** is a private limited company that supplies Early Years educational products and Early Years furniture to schools, nurseries, and child minders. ESPO acquired the company following the necessary due diligence in 2018. The incorporation of Eduzone into ESPO Trading Limited is in progress.

The **Investing in Leicestershire Programme (IILP)** guides the Council's investments in assets not directly used for the delivery of its services, but which contribute to the outcomes of the Council's Strategic Plan and provide a financial return. The Strategy requires reporting to various member bodies. Reporting on the financial performance is included in the budget monitoring reports on a quarterly basis. The IILP Annual Performance Report for 2023-24 was received by the Scrutiny Commission on 6 November 2024 and received by Cabinet on 22 November 2024. The IILP Strategy was received by the Scrutiny Commission and Cabinet alongside the MTFs. In light of the CIPFA Prudential Code, the County Council will continue to ensure that it will only undertake investments where they are directly and primarily related to the functions of the authority and where any financial returns are either related to the financial viability of the project in question or otherwise incidental to the primary purpose. This includes service delivery, housing, and regeneration of areas, which addresses areas of economic or social market failure and should only be made within the Council's area of economic influence. Some investments are made through the Council's Treasury Management strategy to ensure that the holdings are sufficiently diversified and not overly concentrated on property in Leicestershire..

The Council also has a traded service **Leicestershire Traded Services (LTS)**, which sits within the Corporate Resources Department. The quarterly financial and performance reports include the performance of the LTS as part of the Corporate Resources Department and these reports are considered by various member bodies. The Annual Report on the performance of Leicestershire Traded Services during 2023-24 was received by the Scrutiny Commission on 4 September 2024. As required further private briefings have been provided to the commission to ensure that they fully understand the key issues facing LTS. In 2024-25 the Commission requested a workshop, that took place in November 2024, to more closely consider School Food and Beaumanor Hall. The Commission received an exempt report at the March meeting to provide a further update on LTS.

## Collaborative

### East Midlands Shared Service (EMSS)

EMSS is constituted under Joint Committee arrangements to process payroll/HR and accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council. The internal audit of EMSS is undertaken by Nottingham City Council (NCCIA).

After some delays, the Interim Head of Internal Audit (HoIA) at NCCIA presented their 2023-24 annual report and opinion on EMSS to the Corporate Governance Committee on 16 September 2024. It concluded that a "moderate" level of assurance can be given regarding the operating effectiveness of the internal control systems reviewed at EMSS, and that no significant issues have come to light through the audit procedures performed.

Resourcing of NCCIA is a major concern with delays in completing the 2023/24 audit and initially reduced capacity to resource the 2024/25 plan. The Chair of Corporate Governance Committee wrote to the Chair of Nottingham City Council Audit Committee raising these concerns and asked them to raise the issues with officers and take any mitigating action required to ensure an adequate Internal Audit service is provided for EMSS that both complies with regulations and provides adequate assurance. The outcome was that NCCIA resources were re-prioritised and three of the four scheduled 2024/25 audits were completed by the middle of February 2025. The fourth was cancelled (with approval from the Head of EMSS) because NCCIA considered that sufficient work had been covered in its external audit and there was a risk of duplication.

For the Head of Internal Audit Opinion – 2024/25, the Interim HoIA at NCC concluded that a "moderate" level of assurance can be given that internal control systems are operating effectively within EMSS and that no significant issues had been discovered.

The situation with the provision of internal audit will continue to be closely monitored.

Additionally, the position with Nottingham City Council issuing a s114 notice and the appointment of Government Commissioners continues to be monitored.

## **Local Pension Fund**

Leicestershire County Council is a scheme manager as defined under the Public Service Pensions Act 2013 (and any associated legislation). The County Council has delegated the responsibility for decisions relating to the investment of the Fund's assets to the Local Pension Committee. Membership consists of Councillors from the County, City and District Council together with one university representative and non-voting employee representatives.

The Local Pension Committee's (the Committee's) principle aim is to consider pensions matters with a view to safeguarding the interests of all Fund members. The Members who sit on the Committee act on behalf of the beneficiaries of the LGPS and in this way have a similar role to trustees in primarily protecting the benefits of the LGPS members, overseeing the direction of investments and monitoring liabilities.

During the past year the team has been preparing for the triennial valuation of Fund. A number of updates have been provided to the Local Pension Committee and Local Pension Board. The valuation of the Fund as at 31 March 2025 will be completed during 2025 with outcomes and recommendations presented to the Local Pension Committee and new employer contribution rates effective from the 1 April 2026.

The Committee considered and revised its Terms of Reference at its meeting in March 2024.

The Local Government Pension Scheme (LGPS) Regulations require that Leicestershire County Council in its capacity as Administering Authority establishes a Local Pension Board (the Board). The purpose of the Board is to assist the Authority in securing compliance with the Regulations, other legislation relating to the governance and administration of the LGPS, the requirements imposed by the Pension Regulator in relation to the LGPS and to ensure the effective and efficient governance and administration of the LGPS.

The Board comprises of employer representatives who are all elected members from the County Council and Leicester City Council and employee representatives. The Administering Authority retains ultimate responsibility for the administration and governance of the Scheme.

The Board considered and revised its Terms of Reference at its meeting in February 2025.

There is a Pension Fund Training Policy which demonstrates to stakeholders the Committee's, the Board's, and Officers' recognition of the importance of knowledge and understanding of pension issues in the effective management of the Fund. Following consideration by the Board this was reviewed and approved by Committee in June 2025.

To identify whether the objectives of the Policy are being met, Fund officers maintain a training log to record training attended by members and officers, as well as requiring members to undertake an annual training needs assessment. Reporting against the policy is presented to the Committee and Board as part of the Fund Annual Report and Accounts and Training Needs Assessment update.

## **Local Government Pension Scheme (LGPS) - Central Pool**

LGPS Central Limited (Central) is authorised and regulated by the Financial Conduct Authority as an asset manager and operator of alternative investment funds that became operational on 1 April 2018.

The Council is joint owner of Central, which manages the pooled assets of eight Midlands-based LGPS, including Leicestershire, with collective assets of approximately £64billion, on behalf of over one million LGPS members and over 3000 participating employers. The Company aims to use the combined buying power of its Partner Funds to reduce costs, improve investment returns and widen the range of available asset classes for investment for the benefit of local government pensioners, employees, and employers.

A range of collaborative governance vehicles has been established reflecting the administering authorities role as stakeholder from two different perspectives. These are as a co-owner of the company, and as a recipient of investment services. These interests are managed through the Shareholders' Forum and Joint Committee. The Shareholders' Forum oversees the operation and performance of Central, representing the ownership rights and

interests of the shareholding councils, ahead of general meetings. In March 2024 shareholders unanimously approved the Company's strategic business plan and budget alongside other resolutions.

The Joint Committee focuses on investor issues and is made up of member representatives of each of the funds. This provides assistance, guidance, and recommendations to the individual councils, taking into consideration the conflicting demands and interests of the participants within the pool. The Joint Committee does not have delegated authority to make binding decisions on behalf of the participating councils.

In June 2024, a new Chief Executive Officer was appointed to Central.

In November 2024 central government consulted on 'Fit for the Future' proposals relating to the investments of the LGPS covering asset pooling, UK and local investment and governance.

The Government published the outcome of this consultation on 29 May 2025 with the main items broadly in line with its original proposals. A number of key measures are listed below:

- Deadline for implementation of pooling of all LGPS assets by 31 March 2026, though flexibility is acknowledged for certain LGPS funds who are moving Pooling Companies (The Leicestershire County Council Pension Fund is not moving Pooling Companies).
- Implementation further defined to include transfer of management and oversight of all assets (public and private investments) to their respective pools.
- The Funds will be required to take principal investment advice from their pool, although they can still seek secondary advice.
- Funds remain responsible for setting the Strategic Asset Allocation (SAA) based around nine named asset classes.
- Funds will be required to set local investment targets and include details within their investment strategy statements with collaboration with local authorities, regional mayors and strategic bodies.
- Introduction of an independent Pool governance review every three years
- A Pension Bill will be introduced with secondary legislation to follow.

Central submitted its plan to central government outlining how it would meet the requirements on the future of the LGPS and received ministerial backing for these plans in late April 2025. Central developed their plan with input from partner funds and extensive engagement with stakeholders.

The Fund will continue to closely engage with Central and partner funds with the implementation of the 'Fit for Future' proposals over 2025-26 and beyond to continue to safeguard the interests of all Fund members.

## **Pensions internal audit arrangements**

An annual update on Internal Audit arrangements is due to be presented to the Council's Local Pension Board in June 2025. This will include a summary of work completed during 2024/2025 and work planned for 2025/2026. The internal audit functions of the eight LGPS owners have formed an Internal Audit Working Group (IAWG). The first four-year programme of audit work has now been completed, and the plan has been refreshed for a further four years which covers 2023/24 to 2027/28. The 2024/25 audits were assigned to Leicestershire County Council (Governance), and colleagues at Shropshire Council (Investments).

## **Active Together**

The Director of Public Health represents the Council and is an advisor to the Active Together Board of non-executive directors. There are defined terms of reference which set out the governance arrangements and key tasks of the Board. Underneath the Board is a number of subgroups (drawn from the Board and co-opted others) to provide additional scrutiny of areas of the business.

One of those sub-groups in the 'Business, Oversight and Audit' Committee which oversees business planning, financial and risk reporting, and reports to the Board quarterly. The Assistant Director - Delivery in Public Health is a member of this committee.

## **Leicester and Leicestershire Business & Skills Partnership**

Following the dissolution of LLEPs responsibility for business representation, strategic economic planning, and the delivery of government programmes was transferred to upper tier local authorities (UTLAs). The expectation was that UTLAs work together across a functional economic area. Leicester and Leicestershire has long been considered a functional economic area as the boundaries provide a good fit to key economic geographies such as

travel to work areas. The Government has approved the governance arrangements developed by the two UTLAs which recognise that they become the key decision-makers within the new arrangements. These arrangements include a Business Board which will be chaired by a private sector business representative, meet bi-monthly and provide advice to the leaders of the two UTLAs, namely the Leicester City Mayor and the Leader of the County Council, to inform their decisions regarding economic development strategy and investment. The two leaders meet regularly with the Business Board's Chair and attend Business Board meetings. The decision-makers and Business Board will be supported by an executive team hosted by the City Council on behalf of the two UTLAs, and the wider partnership. For most activities transition arrangements were put in place from 1 April 2024 with the former LLEP Team continuing to deliver activities whilst the new governance, business representation and staffing arrangements were established. It was considered appropriate that LLEP Ltd. be retained as a legal entity with a Board comprising City and County senior officers, and for the City Council to formally remain as the Accountable Body. This was a short-term measure to enable existing agreements to which LLEP Ltd is a party to be updated, namely Enterprise Zone business rates agreements. Establishing a new Board required existing LLEP Directors to resign their positions. All directors confirmed their earlier intention to resign on 31 March. The two UTLAs have each appointed a senior officer to the Board.

### **Integrated Care Systems (ICS) & Integrated Care Partnership (ICP)**

ICs are partnerships that bring together NHS organisations, and upper tier local authorities across NHS footprint of Leicester, Leicestershire, and Rutland (LLR).

The ICP is a statutory committee jointly formed between the Integrated Care Board (ICB) and all upper-tier local authorities that fall within the ICS area. LCC membership includes the Lead member for Health and Wellbeing, the Director of Public Health, the Director of Adult Social Services and the Director of Children and Family Services.

The ICP is responsible for producing an integrated care strategy on how to meet the health and wellbeing needs of the population in the ICS area. The first Leicester, Leicestershire and Rutland (LLR) Integrated Care Strategy was published in draft in April 2023. It was designed to guide care and health organisations, staff, and the voluntary sector to key areas of focus where, collectively, a difference can be made to improve people's health and wellbeing over the coming years.

The ICB is also a statutory body and is a successor to the 3 Clinical Commissioning Groups (CCGs). The Director of Public Health represents LCC on the ICB, though in an ex officio capacity not as a representative of the Council as a decision-making body, in accordance with NHS requirements. A draft Integrated Care Board 5-Year Joint Forward Plan was presented to the Council's Health & Wellbeing Board on 25 May 2023. The Board agreed that the 5 Year Joint Forward Plan took account of the Leicestershire Health and Wellbeing Strategy

### **Leicestershire Health and Wellbeing Board**

Health and Wellbeing Board acts as a forum in which key leaders from the local health and care system work together to improve the health and wellbeing of the local population and plan how to tackle inequalities in health. This is best achieved by a range of organisations working together and as a result, the Leicestershire Health and Wellbeing Board brings together key organisations: the ICB, District Representatives, NHS England, University Hospitals of Leicester NHS Trust, Leicestershire Partnership NHS Trust, Leicestershire Police, Office of the Police and Crime Commissioner and Healthwatch to ensure patients and service users voices are heard. As part of a review of the Board's governance arrangements at its meeting on 31 October 2023, Voluntary Action Leicester Shire became a member of the Health and Wellbeing Board to provide some context to issues raised from a voluntary and community sector perspective. The Health and Wellbeing Board is chaired by the Council's cabinet lead for Health and the other Council representatives are:

- Lead Members for Adult Social Care & Children & Young People
- The Chief Executive
- The Directors of Public Health, Adults & Communities and Children & Family Services

The Health and Wellbeing Board leads and directs work to improve the health and wellbeing of the population of Leicestershire through the development of improved and integrated health and social care services by: -

- Identifying needs and priorities across Leicestershire (the Place), and publishing and refreshing the Leicestershire Joint Strategic Needs Assessment (JSNA) and Pharmaceutical Needs Assessment so that future commissioning/policy decisions and priorities are based on evidence.
- Preparing and publishing a Joint Health and Wellbeing Strategy and Plan on behalf of the County Council and its partner clinical commissioning group(s) so that work is done across the Place to meet the needs identified in the JSNA in a co-ordinated, planned, and measurable way.
- In conjunction with all partners, communicating and engaging with local people in how they can achieve the best possible quality of life and be supported to exercise choice and control over their personal health and wellbeing.
- Approving the Better Care Fund (BCF) Plan including a pooled budget used to transform local services, so people are provided with better integrated care and support together with proposals for its implementation.
- Having oversight of the use of relevant public sector resources to identify opportunities for the further integration of health and social care services within the Place.

The BCF is reported quarterly regionally and nationally via NHS England (NHSE) and the Local Government Association (LGA) via a nationally prescribed template which is approved quarterly by the Board, a process supported operationally by the Integration Executive. The annual BCF plan is also submitted via NHSE/LGA regionally and nationally and is subject to a prescribed national assurance process against a number of national conditions, metrics, and financial rules.

The 2023–25 BCF Policy Framework was published in April 2023.

Progress to date on the annual submission for the 2023/24 financial year was considered by the Health and Wellbeing Board at its meeting on 25 May 2023. The Health and Wellbeing Board authorised the Chief Executive, following consultation with the Chairman of the Health and Wellbeing Board, to finalise the BCF Plan prior to the national deadline for submission of 28 June 2023. (The Integration Executive, a subgroup of the Health and Wellbeing Board with responsibility for the day to day delivery of the BCF, considered the draft BCF Plan 2023/24 at its meeting on the 6 June 2023 and supported its contents).

The completed year end BCF 2024-25 template, which demonstrates progress against integration priorities and BCF delivery, reported to the Health and Wellbeing Board at its meeting on 29 May 2025, where the Board was asked to approve it for the NHS England submission deadline of 6 June 2025. The work of the Health and Wellbeing Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups (CCGs).

## **East Midlands Freeport**

The East Midlands Freeport (EMF) is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties. The EMF brings together a mix of industries, businesses, and other collaborating partners, combining public and private sector expertise. The County Council (which is the accountable body) participated in a governance assurance review with MHCLG officials. No adverse issues were identified in the response from MHCLG, but two actions were highlighted in respect of any conflicts of interest and the management of commercial information. Some standard recommendations (issued to all freeports) were made about the selection of funded projects and procurement which have been clarified with MHCLG. An action plan has been prepared and reported to the Freeport Board in October 2024. The outcome of the annual security review to the Freeport Security Forum produced a small number of recommendations. The Council's Head of Internal Audit Service will work in conjunction with the Freeport officers to progress actions required.

The Council has acted as the accountable body for EMF since its establishment in 2021 but the Government has now asked for that responsibility to be transferred to the 'East Midlands Combined County Authority' if possible by February 2026. Discussions with the Combined Authority and EMF to enable that are ongoing.

## **East Midlands Development Company (DevCo)**

The County Council was a Board member of the DevCo, a company limited by guarantee from April 2021. Its ambition was to be a locally led urban development corporation or a mayoral development corporation. The County Council was one of five member authorities / owners of the DevCo. For some time the County Council was concerned to ensure that the DevCo's Members' Agreement and Grant Agreement were correctly followed, which it did not believe had been the case. In that connection, exempt reports were made to the Cabinet while

the Council's membership has been paused. The Council was still waiting for a satisfactory response to its concerns which had been fully set out to the DevCo and DLUHC/MHCLG when the DevCo decided in August 2024 to recommend winding itself up/voluntary dissolution from July 2025. The Cabinet resolved in October 2024 to agree to the voluntary dissolution and the legal process involved. The Council's concerns had been reported to our external auditor who agreed that in the circumstances winding up the DevCo was an acceptable outcome.

### Enhanced Bus Partnership

This is a partnership between the County Council and the bus operators and is enabled by the 2017 Bus Services Act and Transport Act 2000, so has a legal status, but is not mandatory. Local authorities which wanted to be able to access Bus Service Improvement Plan (BSIP) funding had to establish a partnership and therefore every top tier authority has one.

An Enhanced Partnership Board is the key oversight body of the Enhanced Partnership and BSIP delivery. Membership consists of 2 large, 2 medium and 2 small bus operator representatives (voting), 2 County Council representatives (voting, with decision veto powers), 2 district/borough council representatives (non voting) and an independent chair (non voting).

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

The Council has defined a 'significant governance issue' as one that is intended to reflect something that has happened in the year, or which is currently being experienced and meeting any of the following criteria:

- A. The issue has seriously prejudiced or prevented achievement of a principal objective of the authority;
- B. The issue has resulted in a need to seek additional funding to allow it to be resolved or has resulted in significant diversion of resources from another aspect of the business;
- C. The issue has led to a material impact on the accounts;
- D. Corporate Governance Committee has advised that the issue should be considered as a 'significant' issue for reporting in the AGS;
- E. The Head of Internal Audit Service has reported on the issue as significant, for reporting in the Annual Governance Statement, in the annual opinion on the internal control environment;
- F. The issue, or its impact, has attracted significant public interest or has seriously damaged the reputation of the organisation;
- G. The issue has resulted in formal action being taken by the Chief Financial Officer and/or Monitoring Officer;
- H. The issue has resulted in a Legal breach;
- I. The issue prompts intervention from a regulator.

Progress that has been made in dealing with the governance issues that were identified in the 2022-23 final AGS are detailed below:

Issue Area for Improvement (AGS) 2023-24	Lead Officer and Date	Progress during 2024-25
<b>Environment &amp; Transport Department</b> During 2023-24, there were a number of investigations undertaken into working arrangements within the Highway & Transport Branch. Recommendations from the investigations were accepted by management and they have been transferred into a consolidated action plan. The Assisted Transport Improvement Board has been established, chaired by the	<b>Director of Environment &amp; Transportation</b> <b>December 2024</b> <b>Update January 2025 – the Department reported good progress against</b>	The investigations did not identify any fraud issues and there was evidence of improvements to processes. The Internal Audit Service review of the implementation of actions and the revised governance arrangements (originally scheduled for the end of January 2025) will now be undertaken by the end of June.



Director and the Board's membership contains senior management representatives (E&T, HR, Commercial Services, Transformation, Legal, Internal Audit and Finance). The Board provides the necessary oversight of changes requiring rapid implementation and will align to (but not be responsible for) the management of complex, longer term improvement projects and initiatives. This work will continue be overseen by the Assisted Transport programme Delivery Board.	<b>implementing actions.</b>	
<b>Capital Programme</b> <p>The Council has a number of large, complex capital projects in progress which have significant potential risks, such as financial and procurement risks. Inflationary pressures also continue to have an impact on large capital projects. The Council's risk management approach to major capital schemes will be reviewed to ensure risks are appropriately managed from project inception and that appropriate risk contingencies are maintained.</p>	<b>Director of Corporate Resources</b> <b>October 2024</b> <b>Update January 2025 - Lessons learned from large capital schemes is being used to inform the way future tenders are completed. There are continual actions underway to monitor and improve the risk.</b>	<p>The Council's risk management approach to major capital schemes has been reviewed to ensure risks are appropriately managed from project inception and that appropriate risk contingencies are maintained. Lessons learned from previous large capital schemes have been undertaken and are being used to inform the way future tenders are completed to minimise and manage future risks. A Capital Programme Improvement Project has established improved governance arrangements and reporting oversight around our large scale capital schemes. This includes monitoring costs against scheduled key milestones and implementation of defined decision points at which future financial implications are assessed. Liabilities are included within contingencies that are routinely tracked and monitored against plan including the implementation of a risk based approach for all major capital programmes.</p> <p>A Procurement Strategy / Contract Award template and process has been introduced to standardise the approach to procurement of major schemes, providing clarity on the key risks and commercials, whilst allowing for appropriate challenge and review at key procurement related gateways.</p>

## 8. Significant Governance Issues Arising During 2024-25

This Annual Governance Statement (AGS) identifies that the Council has effective arrangements in place, but that its officers recognise the need to continuously review, adapt and develop governance arrangements to meet the changing needs of the organisation. Whilst the Council has identified areas to be developed (see Annex), it is important to recognise that there are two significant matters set out in the table below.

<b>Significant Governance Issue 2024-25</b>	<b>Lead Officer and Date</b>
Identified in the Auditor's Annual Report (AAR) 2023-24 as an Area for Improvement under improving economy, efficiency and effectiveness – Completion of new Education, Health, and Care Plans (EHCPs) during 22/23 down to 3.8% although noted that improved processes in place and starting to show an increase.	Director of Children & Family Services

The number of requests for EHCPs has continued to rise over the last 5 years with a 14.9% increase in the total number of active EHCPs in 2024. As a result of this the timeliness of EHCP had fallen well short of the 20 week expected timescale for completion. Over the last year a recovery plan has been put in place to bring timeliness back in line with the 20 week timeframe. As a result of this recovery plan, timeliness of issuing EHCP has begun to improve and at the end of April 2025 it was sitting at 9% within the 20 week timeframe and average duration of plan completion is 41.3 weeks (down from 60 weeks in December 2024). Over the next 6 months timeliness, as a result of the recovery plan, timeliness is expected to move to being compliant with the statutory deadline.

Identified in the Auditor's Annual Report (AAR) 2023-24 as an Area for Improvement under improving economy, efficiency and effectiveness - Work needs to continue to reduce the number of contract exceptions and extensions that are approved

The Council established a Corporate Procurement Board in January 2024 which must approve all exceptions. Contract extensions also need to be approved by Corporate Procurement Board in specific circumstances. The Council has also improved its use of procurement pipelines so that closer attention is given to contracts that may be nearing their end date or value. These actions, in conjunction with regular training, communication and the procurement toolkit have reduced the number of exceptions that have been required over the last 12 months from 116 in 2023-24 to 104 in 2024-25.

Assistant Director (Finance, Strategic Property and Commissioning), Corporate Resources Department

The Council has identified areas to be developed which are reported in the Annex to the AGS.

The Code of Practice on Local Authority Accounting in the UK 2024-25, requires that significant events or developments relating to the governance system that occurred between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts will be signed by the responsible financial officer, are reported. The draft AGS was updated in line with the Code of Practice.

## 9. Future Challenges

Significant challenges faced by the Council are detailed within the Corporate Risk Register, which is regularly reviewed by the Corporate Management Team and presented to the Corporate Governance Committee (the Committee). Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring, and maintaining the Council. The most recent update of the Corporate Risk Register was received by the Committee at its meeting on 31 March 2025.

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

### Transitioning to a new County Council administration

The outcome of the County Council elections which took place on 1 May 2025 was that the Reform UK party emerged as the largest party on the council although it fell 3 seats short of an overall majority and as such a minority administration position emerged. Whilst this isn't a new feature of local government, following a long period of comparative stability at Leicestershire almost one third of experienced members did not seek reelection and of the fifty five total members almost two thirds are new. Therefore, it is inevitable that new officer/member relationships will need to be built and significant new member induction across all parties undertaken to enable a constructive transition to a council that continues to operate effectively.

### Local Government Reorganisation

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



the request for a single final submission, which can contain different options, and that will require discussion at a political level across Leicester, Leicestershire and Rutland. The Council agreed it will be helpful if all proposals are supported by the same evidence base and analysis so that the Government is able to clearly identify the right solution for Leicestershire. Regardless of the government's approach to the proposals submitted and its preferred way forward, there will follow a period of intensive work and demand on internal resources and short-term uncertainty and instability which will require mitigation.

## **Financial Sustainability**

The Council's financial position is extremely challenging, with a budget gap in excess of £90m forecast in the Medium Term Financial Strategy by 2028/29 as well as a High Needs Deficit in excess of £60m at the end of 24/25. This is a challenge shared by the local government sector, with continued inflationary pressures, rising demand and funding uncertainty creating a complex and difficult financial landscape, made worse by the continuation of one-off financial settlements from government. The Spending Review and Funding Reform, both due during 2025 are compounding this uncertainty. The Council has a prudent level of reserves that provide some level of assurance over financial sustainability, and a corporate Strategic Change Programme which identifies and manages the delivery of a wide-ranging savings programme. However, the Council must ensure that this programme is adequately resourced and is currently undertaking a fundamental review and prioritisation exercise to ensure that the savings initiatives that have the largest savings potential have sufficient resources.

## **Covid-19 Public Inquiry**

Information has been provided to the Inquiry at the request of the Chair (through the LGA) in relation to the Module 1 (Preparedness and Resilience). The Report from the first module was published in July 2024 but did not reference the council's response. Information has also been provided following a formal direction for evidence in Module 5 (Procurement) concerning the procurement and purchasing of PPE and Module 8 (the impact of the Covid-19 pandemic on children and young people). There has been engagement with the Inquiry team in relation to Module 7 (Test trace and isolation rules) but to date no request for information has been received.

## **Assistance with migrants and asylum seekers**

Challenges remain with the asylum system. The funding model is yet to be reformed so upper tier authorities do not get their full costs recovered. The Full Dispersal Model is now in operation with an uplift in the number of asylum seekers each local authority is expected to find accommodation for. Meeting the existing and now stretch targets remains a challenge due to limited private rental stock availability and ongoing homeless and temporary accommodation pressure. Regional multi-agency meetings involving government departments, councils, and Home Office accommodation contractors have been established to explore options and mitigate issues arising from dispersal. Governance arrangements continue to be coordinated by East Midlands Councils who act as the Strategic Migration Partnership for all asylum, migration, and resettlement issues.

## **Recruitment and retention**

Whilst there have been improvements reflected in the Corporate Risk Register throughout the year there are still pockets where it's important not to lose traction.

## **CONTEST Strategy**

The Council will continue to plan to meet its 'Prevent' and 'Protect' (Martyn's Law) duties under 'CONTEST' (the Government's Counter-terrorism strategy). The Terrorism (Protection of Premises) Act 2025, also known as Martyn's Law, received Royal Assent on Thursday 3 April 2025. Guidance will be published in due course which will assist in understanding the requirements set out in the legislation.

## **Artificial Intelligence and cyber security**

Artificial Intelligence (AI) has the potential to transform various aspects of public sector, such as healthcare, education, security, and transportation, by enhancing efficiency, quality, accessibility, and innovation. However, AI also poses significant risks and challenges, such as ethical, legal, social, and economic implications, that need to be carefully addressed and regulated. Central Government has recognised the potential risks and opportunities surrounding AI. The National AI Strategy outlines the government's commitment to supporting the development and adoption of AI technologies across various sectors, including the public sector. Central

government also provides a number of tools, such as the Generative AI Framework to inform and support local government implementations of AI. The NCSC (National Cyber Security Centre) provides guidance to help ensure any systems implemented are secure. The Council will continue its research and development of AI and fully debate and understand the risks and challenges.

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

## **Procurement Regulations 2024**

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

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

## **Expected Service and National Reforms**

### **Adult Social Care**

- An adult social care sector pay agreement which would see pay increasing above national minimum wage levels
- Baroness Casey independent commission into adult social care commencing in 2025. This will be a two stage review with stage one reporting in 2026 and stage two reporting in 2028. The first phase will consider current and medium term reform and recommendations within the current financial spending envelope. Phase two will consider longer term recommendations on the future of Adult Social Care delivery and funding models
- The Casey Commission will inform the development of a national care service framework with new standards and responsibilities for councils
- Mental Health Bill which has additional duties and responsibilities for local authorities

### **Children & Family Services**

- SEND - Details of the government's intended approach to SEND reform will be set out in a Schools White Paper in the autumn. The upcoming local government funding reform consultation will set out further details on supporting local authorities with regard to SEND as the government transitions to a reformed system.
- The Children's Wellbeing and Schools Bill – aims to break the link between young people's background and their future success. It will put in place a package of support to drive high and rising standards throughout the education and care systems so that every child can achieve and thrive.

**Employment Rights Bill** - proposes to make wide-ranging changes to employment rights through 28 individual employment reforms. Including:

- the removal of the two-year qualifying period for unfair dismissal protection;
- ending "exploitative" zero hours contracts;
- amending the current thresholds for collective redundancy consultation;
- amending the flexible working regime;
- amending statutory sick pay eligibility requirements;
- amending the employer's duty to prevent sexual harassment and third party harassment in the workplace;
- extending the time limits for bringing Employment Tribunal claims from three months to six months;

### Waste Reforms

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

### Integrated Care Board (ICB)

- The requirement for Integrated Care Boards (ICB) to reduce their running costs nationally by approximately 50%, spending no more than £18.76 per head of the ICB's population, are likely to have an impact on adults and children's social care and public health. It is anticipated that the Leicester, Leicestershire and Rutland (LLR) ICB will 'cluster' with another ICB. This may lead to staff redundancies and/or the remaining staff in the ICB being responsible for a broader geographic area, potentially leading to less of a focus on the Leicestershire 'place' and a reduction in local partnership working.

Additionally, the new model ICB blueprint calls for the focus of ICBs to be strategic commissioning with certain functions of the ICB, in its current form, set to transfer to provider organisations or partners over time. These include safeguarding, infection and prevention and control (IPC) and communications. It is unknown what the future arrangements of these functions will be but may have implications for the Council.

## 10. Certification

The Council is satisfied that appropriate governance arrangements are in place and continue to be regarded as fit for purpose.

We propose over the coming year to take steps to address any matters to further enhance our governance arrangements in these challenging times. We are satisfied that these steps will address the need for any developments that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Furthermore, having considered all the principles of the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption, we are satisfied that the Council has adopted a response that is appropriate for its fraud and corruption risks and commits to maintain its vigilance to tackle fraud.

.....  
John Sinnott  
Chief Executive

.....  
Dan Harrison  
Leader of the Council

**AREAS FOR FURTHER DEVELOPMENT IN 2025-26**



The Corporate and Departmental AGS self-assessments contained a set of conformance statements under each core principle and related sub-principles as outlined in the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016). Each conformance statement required a corresponding score of 1, 2 or 3 to be recorded, based on the criteria below:

Score	Definition	Description	Evidence (all inclusive)
1	Good 	Conformance against most of the areas of the benchmark is good, although there may be minor developments required but with a limited impact on the ability to achieve departmental and Council objectives. Strategic, reputational and/or financial risks are minor, and performance is generally on track.	Many elements of good practice to a high standard and high quality.  Substantial assurance can be given that coverage of the sub-principle is operating satisfactorily and extends to most/all services areas within the department
2	Some development areas for improvement 	There are some developments required against areas of the benchmark and the department may not deliver some of its own and the Council objectives unless these are addressed. The management of strategic, reputational and/or financial risks is inconsistent, and performance is variable across the department.	Some elements of good practice to a high standard and high quality.  Moderate assurance can be given that coverage of the sub-principle is working adequately in certain service areas, with omissions in others.  Proposal/Plans are in place to address perceived shortfalls
3	Key development and many areas for improvement 	Conformance against many/all areas of the benchmark is poor and therefore delivery of departmental and Council objectives is under threat. There are many strategic, reputational and/or financial risks and performance is off track.	Few elements of good practice to a high standard and high quality.  Coverage of this expectation is omitted amongst most areas.  Proposal/Plans to address perceived shortfalls are in early stages of development

Examples of key actions is summarised in the table below.

Note: some actions are not included in the table as they are already reported through the Corporate Risk Register (CRR).

Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)		
Core Principles of the Framework	Overall Assessment	Action to Develop Areas Further in 2025-26 (Ongoing and New)
<b>Principle A:</b> Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		<ul style="list-style-type: none"> <li></li> </ul>
<b>Principle B:</b> Ensuring openness and comprehensive stakeholder engagement		<ul style="list-style-type: none"> <li>Keep relations with District Councils under review to ensure that any potential tensions over local government reorganisation don't impact on progress.</li> <li>Embed new Public Advisory Group (PAG) and Citizens Assembly as part of enhanced Health Determinants Research Collaboration (HDRC) community research arrangements.</li> </ul>
<b>Principle C.</b> Defining outcomes in terms of sustainable economic, social, and environmental benefit		<ul style="list-style-type: none"> <li>Continuing to develop the approach to multi-year monitoring of large and complex capital schemes to ensure medium term implications brought out, including risks and mitigations.</li> <li>Produce new Strategic Plan to run for the life of the new Council from 2025 onwards.</li> </ul>
<b>Principle D.</b> Determining the interventions necessary to optimise the achievement of the intended outcomes		<ul style="list-style-type: none"> <li>Continue to push for fairer funding sought to ensure longer term service sustainability.</li> <li>Guidance to be reissued to Partnership Leads to re-enforce the need to pick up key partnership risks in partnership structures and where relevant into DMT risk registers</li> <li>Look to further enhance reporting on the social value achieved through procurement/contracts</li> </ul>
<b>Principle E.</b> Developing the entity's capacity including the capability of its leadership and the individuals within it		<ul style="list-style-type: none"> <li>Ensure all new members, since the election, receive appropriate and timely induction.</li> <li>Obtain and evaluate all Members (including Independent Members) of Corporate Governance Committee's self-assessment of their knowledge and skills of an audit committee, to devise a training plan for the Committee.</li> <li>Discussions continuing on Local Government Reorganisation ahead of a pathway to a possible devolution deal.</li> <li>Continued work to ensure an effective Integrated Care Partnership that supports social care and public health priorities.</li> <li>Further improve training through enhanced functionality from the thrive learning portal.</li> </ul>

<p><b>Principle F.</b></p> <p>Managing risks and performance through robust internal control and strong public financial management</p>		<ul style="list-style-type: none"> <li>• Review of performance reports planned to ensure more consistency and best practice in data visualisation.</li> <li>• Corporate Data Strategy project under way to improve roles and arrangements that support the data pipeline and data architecture.</li> <li>• Arrange for an overdue Risk Management independent review.</li> <li>• Arrange for training and CRMG meetings.</li> <li>• Ensure audit of Assurance Framework is completed early 2025-26.</li> <li>• Corporate Data Strategy project still under way to improve roles and arrangements that support the data pipeline and data architecture.</li> <li>• Continued focus required on data quality as systems and processes change e.g. key systems change in children and families services</li> </ul>
<p><b>Principle G.</b></p> <p>Implementing good practices in transparency reporting and audit to deliver effective accountability</p>		<ul style="list-style-type: none"> <li>• Continuous development of procurement pipelines by departments.</li> <li>• Importance of managing risks in partnership settings in accordance with the Council's Risk Management Policy to be reinforced to relevant managers.</li> <li>• Implement actions from the Internal Audit Service EQA</li> <li>• Implement the requirements of the Global Internal Audit Standards in the UK Public Sector and the Code of Practice on the Governance of Internal Audit in Local Government.</li> </ul>

**CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****RISK MANAGEMENT UPDATE****Purpose of the Report**

1. One of the roles of the Corporate Governance Committee (the Committee) is to ensure that the Council has effective risk management arrangements in place. This report assists the Committee in fulfilling that role by providing a regular overview of key risk areas and the measures being taken to address them. This is to enable the Committee to review or challenge progress, as necessary, as well as highlight risks that may need to be given further consideration. This report covers:
  - The Corporate Risk Register (CRR) – updates on risks
  - Update on emerging risk – Local Government Reorganisation

**Corporate Risk Register (CRR)**

2. Within the County Council's Constitution (revised December 2024), the Terms of Reference at Section 2: Governance and Risk places a responsibility on the Committee at 2.5, 'To review and monitor the effective development and operation of risk management in the Council including the Council's risk management framework'.
3. To assist with their understanding of this topic, the most recent update to the Council's Risk Management Policy Statement and Strategy (January 2025) was sent to all Committee members in advance of the meeting.
4. The Council maintains Departmental Risk Registers and a Corporate Risk Register (CRR). These registers contain the most significant risks which the Council is managing, and which are 'owned' by Directors and Assistant Directors.
5. The CRR is designed to capture strategic risk that applies either corporately or to specific departments, which by its nature usually has a longer time span. The CRR is a working document and therefore assurance can be provided that, through timetabled review, high/red risks will be added to the CRR as necessary. Equally, as further mitigation actions come to fruition and current controls are embedded, the risk scores will be reassessed, and this will result in some risks being removed from the CRR and managed within the relevant departmental risk register.

6. Updates to the current risks on the CRR (last presented in full to the Committee on 31 March 2025), are shown in **Appendix A**. Corporate risks reflect the Council's Strategic Plan (2022-26), which was approved by the County Council on 18 May 2022 and refreshed for 2024-26.

Risks which have been removed in the last two years, and a brief reminder of the risk scoring process are at the end of the appendix.

A more detailed update of the CRR (providing additional information on current and further controls/actions on how the risks are being mitigated), will be presented to a future meeting.

Movements since the CRR was last presented in full are detailed below: -

### **Risks added**

#### **8.1 ALL (Business Continuity)**

7. A) If there is a failure to restore services or maintain services in a major disruption e.g. pandemic, power outage, cyber incident, etc., then the Council is at risk of not being to deliver identified critical services.

Rationale: This is an additional risk description, separating the mitigations required for managing risks to delivering internal critical services from those relating to external delivery.

### **Presentation**

8. A presentation will be provided on risk #8.1(A), 'If there is a failure to restore services or maintain services in a major disruption e.g. pandemic, power outage, cyber incident, etc., then the Council is at risk of not being to deliver identified critical services.' This follows a presentation to Committee at its meeting on 24 January 2025 on cyber security which was shared with all members in advance of this meeting.

### **Emerging risk – Local Government Reorganisation**

9. At its meeting on 31 March 2025, the Committee was informed that in February 2025, the Minister of State for Local Government and English Devolution set out the formal invitation to the County Council (and all local authorities in two-tier areas and neighbouring unitary authorities) to develop a proposal for local government reorganisation which required interim plans to be submitted to the Government by 21 March 2025. The Council submitted its interim plan for reorganisation and other proposals were sent to the government by Leicester City Council and Leicestershire's district councils in conjunction with Rutland County Council.
10. On 3 June, the government provided initial feedback on the interim plans so that final proposals can be worked on and submitted by the end of November 2025. In response to media queries, the Council stated that it noted the request for a single final submission, which can contain different options, and that will require discussion at a political level across Leicester, Leicestershire and



Rutland. The Council agreed it will be helpful if all proposals are supported by the same evidence base and analysis so that the Government is able to clearly identify the right solution for Leicestershire.

11. Regardless of the government's approach to the proposals submitted and its preferred way forward, there will follow a period of intensive work and demand on internal resources and short-term uncertainty and instability which will require mitigation.

### **Recommendations**

It is recommended that the Committee:

- a. Approves the status of the corporate and strategic risks facing the County Council.
- b. Makes recommendations on any areas which might benefit from further examination.
- c. Notes the update to the emerging risk on Local Government Reorganisation

### **Resources Implications**

None.

### **Equality and Human Rights Implications**

None.

### **Circulation under the Local Issues Alert Procedure**

None.

### **Background Papers**

Reports of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 26 May 2023, 22 September 2023, 17 November 2023, 26 January, 20 May, 16 September and 6 December 2024, 24 January and 31 March 2025.

### **Officers to Contact**

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
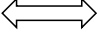
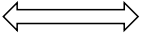
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
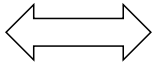

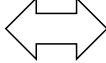

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## **Appendices**

Appendix A – Corporate Risk Register Update (April/May 2025)

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2025	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
1. Medium Term Financial Strategy										
1.1	ALL	If we fail to deliver the MTFS savings, have an unexpected loss in income and /or fail to control demand and cost pressures then this will put the Council's financial sustainability at risk with major implications for service delivery.	5	5	25	5	3	15	<p><b>Corporate</b> - The Council has a published MTFS gap of circa £90m, of which nearly £40m falls in 2026/27 and so urgent attention will need to be given to identifying further savings to ensure a balanced budget can be set next year. There is also significant uncertainty arising from the Spending Review and funding reform both due to impact on Council funding from April 2026. The Council's High Needs Deficit is also a significant risk with no confirmation from government on the future of the statutory override.</p> <p><b>A&amp;C</b> - The Discharge Grant and the Improved Better Care Fund have been combined into the Local Authority Better Care Grant in 25/26. The discharge grant element is not expected to be withdrawn giving certainty to the Department and the areas that are supported by the Grant</p> <p><b>E&amp;T</b> - The Department Management Team reduced its risk impact and likelihood scores as it is forecasting to make current year (2025-26) savings and Savings Uunder Development are progressing.</p>	<div>↔</div> <p>Expected to remain high/red</p>
1.5	C&FS	Children's Social Care  IF the number and type of high-cost social care placements (e.g. external fostering, residential and 16+ supported accommodation) increases (especially in relation to behavioural and CSE issues) THEN there may be significant pressures on the Children's Social Care placement budget, which funds the care of vulnerable children.	5	5	25	4	4	16	<p>Current mitigations and governance in place to ensure unit costs are reflective of need and such mitigations are also reflected in Children &amp; Family Services' (C&amp;FS) Medium Term Financial Strategy (MTFS) targets</p> <p>There are currently just over 700 children in care in Leicestershire</p>	<div>↔</div> <p>Expected to remain high/red</p>
1.6	C&FS	Special Educational Needs  IF demand for and the complexity of Education Health and Care Plans (EHCP) continues to rise, and corrective action is not taken, there is a risk that the high needs block budget deficit will continue to increase and create a significant burden on the Council.	5	5	25	4	4	16	Deficit on High Needs Block (HNB) continues to increase, still awaiting information from the DfE on the statutory override	<div>↔</div> <p>Expected to remain high/red</p>
1.9	ALL	If the immigration status of refugees and asylum seekers (including unaccompanied asylum-seeking children (UASC)) who arrive in the County is not resolved, then the Council will have to meet additional long-term funding in relation to its housing and care duties, with the biggest cost and staffing impacts on C&FS.	4	4	16	4	3	12	<p>A detailed review of the risks affecting each of the asylum, refugee and migration groups indicated that the landscape remains very complicated and not easy to navigate with all the different groups and multiple criteria.</p> <p>Regarding the Homes for Ukraine Scheme (H4US), the Ukraine Permission Extension Scheme started February 2025, allowing Ukrainians fleeing war to remain for a further 18 months beyond their initial visas. The H4US team is extended to July 2026, however with the current scheme the number of host arrangements will start to reduce significantly by then. Team resource and structure will be reviewed in winter 2025/26. This element can be removed form the original corporate risk but will continue to be managed at department level by Children &amp; Family Services.</p>	<div>↔</div> <p>Expected to remain high/red</p>
1.12	CE	If developer contributions are not secured, are not sufficient to cover costs or are not spent efficiently then there could be a failure to pay for roads, schools and other essential infrastructure.	5	3	15	4	3	12	The s106 Strategy Review remains ongoing awaiting transport colleagues to provide input on sustainable transport measures. It's expected to take the draft document through the committee cycle following the elections and then reconsult. Charnwood are in the process of implementing CIL in respect of highway contribution whilst Oadby and Wigston have decided not to implement CIL on viability ground. The position of the other districts is unclear at this time.	<div>⬇</div> <p>Expected to move to medium/amber</p>

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2025	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
1.13	C&FS	If suitable placements are unavailable for UASC (unaccompanied asylum-seeking children) who arrive in the County, either planned or unplanned, then there will be significant pressures meeting the department's statutory duties with regards to UASC as well as financial pressures in meeting their complex needs	5	5	25	4	3	12	Regular monthly reporting to the C&FS Change Board against 16+ placement fees  The numbers of children have increased but the average cost per placement has reduced - (June 2024 average unit cost = £1,100/week, April 2025 the average unit cost was down to £660/week. the Home Office reimburses £270 per week for Care Leavers.  16 & 17 UASC - weekly total spend in August 2024 was £73k and in April 2025 was £47k  As of 30 April 2025 we had 79 UASC Children in Care and 228 Care leavers. The National Transfer Scheme is the primary route for accommodating children seeking asylum. The number requiring age assessment is increasing as the majority are age disputed by the Home Office.	  Expected to remain high/red
<b>2. Health &amp; Social Care Integration</b>										
2.4	A&C C&FS PH	If health and care partners fail to work together to address the impact of system pressures effectively, there is a risk of an unsustainable demand for care services and a risk to the quality of those services to meet need	4	4	16	5	2	10	<b>A&amp;C</b> - The new Integrated Care Board (ICB) model and nationally required funding reductions in running costs in Health services are likely to impact on current services and Adult Social care  Planning has commenced by NHS for winter pressures 2025-2026, with no additional funding to manage pressures  Significant changes may be required to implement the Neighbourhood Health and Care Model which is currently featured within health and care planning, due 2025-2026  <b>C&amp;FS</b> - Challenges continue to exist around ensuring the right health contributions are made to both Children's Social Care and Special Educational Needs & Disabilities (SEND).  <b>PH</b> - The requirement for ICB's to reduce their running costs nationally by approximately 50%, spending no more than £18.76 per head of the ICB's population, are likely to have an impact on adults and children's social care and public health. It is anticipated that the Leicester, Leicestershire & Rutland (LLR) ICB will 'cluster' with another ICB. This may lead to staff redundancies and/or the remaining staff in the ICB being responsible for a broader geographic area, potentially leading to less of a focus on the Leicestershire 'place' and a reduction in local partnership working  Additionally, the new model ICB blueprint calls for the focus of ICBs to be strategic commissioning with certain functions of the ICB, in its current form, set to transfer to provider organisations or partners 'over time. These include safeguarding, infection and prevention and control (IPC) and comms. It is unknown what the future arrangements of these functions will be but may have implications for the Council.	  Expected to remain high/red
<b>3. ICT, Information Security</b>										
3.7	CR	If the council does not effectively manage its exposure to cyber risk, THEN there's a substantial risk of a successful cyber-attack which could severely damage the Council's reputation and affect service delivery which might result in incurring significant costs, both in order to successfully recover systems (downtime, incident response and possible ransom payment) and potential personal liability claims and regulator fines.	5	5	25	5	4	20	Security patching regimes are in place but under regular review.  Security Information & Event Monitoring system implemented as part of a time-limited pilot. Procurement exercise underway to procure more permanent solution (finalising RFQ).  On-going programme of technical Disaster Recovery testing in place.  Upgrade of Windows Server operating system underway is in progress. Current version expires in Jan 27 and so have long run in time.  Prioritised rollout of Multi-Factor Authentication (MFA) across the organisation is underway.	  Expected to remain high/red

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2025	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
3.8	CE	If there is a failure to provide appropriate strategic and operational business intelligence then the council's policy and strategy will not be evidenced and day-to-day service delivery, costs and reputation may be negatively impacted, including meeting statutory requirements.	4	4	16	4	2	8	No change to previous update  The Business Intelligence team continues the process of migrating existing content onto the new servers working with IT. Until then the old virtual server continues to run daily processes and current risks remain. Anticipated that the risk rating will be reduced to amber in the next quarterly update (April).	 Expected to move to medium/amber
<b>4. Commissioning &amp; Procurement</b>										
4.4	CR	If there is an actual or perceived breach of procurement guidelines then there may be a challenge which results in a financial penalty.	4	4	16	3	4	12	Contract Procedure Rules for the Procurement Act have been fully approved and now are part of the Constitution.  The toolkit has been updated , with 3 final pages to update/complete once sign off on key documents is obtained from legal.  Online training for the Procurement Act has been added to the Thrive learning platform and further training will be uploaded in the next 2 months as we gain more intelligence on the application of the Act.  The timescale has slipped on the Target Operating Model, the new timescales and workplan are being finalised and will be available end of June.	 Expected to remain high/red
4.5	E&T C&FS	If Special Educational Needs Assessments are delayed and Education, Health and Care Plans are not issued on time with appropriate school placements for children identified, Transport Operations could be failing to provide a timely statutory service.	4	4	16	3	3	9	C&FS are working the backlog EHCP assessments and have targeted to do this by end of school year (summer) 2025. However, demand for new EHCPs continues to rise significantly. Officers from Assisted Transport are attending SENA service meetings to ensure greater understanding and support between the teams. The Assisted Transport Team also continue workstreams to improve technology and process across the system to assist with this and potentially minimise impact. Monitoring the backlog of EHCPs is included in forecasting considerations	 Expected to move to medium/amber
<b>5. Safeguarding – category retired</b>										
<b>6. Category retired</b>										
<b>7. People</b>										
7.1	CR (ALL)	If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted	4	4	16	3	4	12	During the last 12 months the absence per FTE rate at the whole Council level has stabilised and rested monthly between 8.54 and 8.98 days lost per FTE. In previous years we have seen peaks over 9 and sometimes 10 days. Overall, this is positive indicator, however, progress to the target of 7.5 days is challenging. Consistent and persistent application of our current approach will be our focus to achieving 7.5 FTE.  Training - People Services performance management team regularly promote absence management training to managers. Mental health focussed course available for managers - annual rolling programme of availability.	 Expected to remain high/red
7.2	ALL	If departments are unable to promptly recruit and retain staff with the right skills and values and in the numbers required to fill the roles needed, then the required/expected level and standard of service may not be delivered, and some services will be over reliant on the use of agency staff resulting in							<b>Risks currently scoring 15 and above</b>  <b>C&amp;FS</b> - Some success in recruitment. March had the lowest agency staff in recent years & vacancy rate compares favourable with national figures. Opportunities coming up with National Reforms which will help us review and create a lead safeguarding practitioner which may create a sense of opportunities for more experienced staff to be reconquised in the system. Still continue to struggle to	 Expected to remain high/red

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2025	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
		budget overspends and lower service delivery.							recruit experienced staff - national changes to agency rules meant we have recruited a number of agency staff in the last quarter into permancey which is bringing some expereince into senior posts. March vacancy rate is 5.38% compared to the UK National average of 17.3%.	
			4	4	16	3	3	9	<b>CR</b> - Developing new talent strategy. Timeline to be agreed at board, likely cover 2025 to April 2026. As of March 2025 there were 333 apprentices (4.6% of workforce), this includes data from maintained schools & early years sector in Leicestershire. The Public Sector Levy has target of 2.3%. Government consultation on levy policy is expected to close at the end of 2025. LCC People Services team are liaising with the Department of Workforce and Skills in order to participate. Processes and database work on hold pending outcome.	
									<b>E&amp;T</b> - Recruitment and retention continue to be difficult across the department.	
			4	5	20	3	3	9		
									<b>A&amp;C</b> - Continuing staffing pressures in directly provided services. A review is being undertaken due to the high use of agency for our Approved Mental Health Professional (AMHP) service caused by vacancies and an increase in demand. Market premia in place for hard to recruit posts. There has been a reduction in manager agency spend following successful recruitment to vacant posts.	
			4	4	16	3	3	9	<b>Risks currently scoring below 15</b>	
									<b>CE</b> - Legal Services recruitment issues ongoing due to steady turnover of staff. Currently readvertising again using recruitment incentives. Have been able to reduce overall numbers of locums in some areas. Regulatory Services recruiting more zero contract marriage officers.	
			3	4	12	3	3	9	<b>PH</b> - Challenges remain but department is recruiting and upskilling within.	
			3	4	12	3	3	9		
7.3	A&C	If the Department fails to develop and maintain a stable, sustainable, and quality social care market to work with, then it may be unable to meet its statutory responsibilities.	5	3	15	5	2	10	The increased fee uplift for care providers is now live for 2025-2026.  Work on revised approaches to older people's accommodation and working age adults' accommodation are in progress.  New commissioning plans for home care and community life choices are progressing in anticipation for new contracts in Summer 2026.	↑  Expected to remain high/red
7.5	A&C	If there is continuing increase in demand for assessments (care needs and financial) then it may not be met by existing capacity.	4	4	16	4	3	12	Following an increase in demand for community Care Act assessments, workload and caseload management analysis has commenced to determine capacity requirements. Temporary recruitment approved for additional resources to manage current demand and risks. The reason for the increase are many and varied. However it has been a pattern seen nationally since the pandemic  Adult social care finance, financial improvement program due to close May 2025 with improved ways of working (to reduce wait times for a financial assessment) components becoming Business As Usual (BAU) - reporting outcomes to Department Management Team (DMT)..	↔  Expected to remain high/red

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2025	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
7.7	C&FS	If current demand for Education, Health and Care Needs Assessment and updating of EHCPs after annual review exceeds available capacity of staff within SEND Services (particularly educational psychology and SEN Officer) then this leaves the Council vulnerable to complaints of mal-administration with regards to statutory timescales. The situation is worsened by a lack of specialist placements which means that children with complex needs may not be placed in a timely way and hence may not receive the support to which they are entitled through their EHC Plan.	5	5	25	4	4	16	Pilot study which takes a different approach on Education Psychology (EP) advice and information has finished and expecting outcomes end of May. Currently the department is experiencing a rise in requests for Education Health and Care Plans.	↔  Expected to remain high/red
<b>8. Business Continuity</b>										
8.1	ALL	A) If there is a failure to restore services or maintain services in a major disruption e.g. pandemic, power outage, cyber incident, etc., then the Council is at risk of not being to deliver identified critical services (NEW).  B) If suppliers of external critical services do not have robust business continuity plans in place, then the Council may not be able to deliver services.	5	3	15	5	2	10	<u>Internal Business Continuity (BC) arrangements</u>  The internal audit of BC management report was issued and from this a number of recommendations and actions are being undertaken. The Chair of Resilience Planning Group (RPG) will assume responsibility and monitor the actions undertaken on a quarterly basis.  A project to review all Tier 1 Critical Plans (46 total) has been agreed at RPG 16 April 2025. This will be undertaken by the Council's BC officers. This will be monitored by RPG on a quarterly basis. Chief Officers will also be informed through the relevant documents on a quarterly basis.  <u>External (Critical Service Provider) BC plans</u>  The assessment of external critical supplier BC plans is an ongoing process, based on a three-year cycle. Where plans that have been assessed for compliance with thje International Standard for Business Continuity Management Systems (ISO 22301) and the contract relating to the service provided exceeds three years, then the provider is required to provide an updated BC plan and details of testing. It was agreed at the 16 April RPG that external plan submissions will be monitored on a quarterly basis	↔  Expected to remain high/red
<b>9. Environment</b>										
9.1	CR	If the Ash Dieback disease causes shedding branches or falling trees then there is a possible risk to life and disruption to the transport network	5	4	20	5	2	10	Still in the process of quantifying the speed at which the Ash is succumbing to the disease. Weather conditions is a factor, drier weather can increase stress to the trees making them less resilient. Findings from the last survey conducted in August 2024, indicated the rate of progression is slowing, at 60% of own tree stock showing symptoms.  Ongoing liaison with private landowners on affected trees that pose a threat to the highway.	↔  Expected to remain high/red
9.2	E&T	If there was a major issue which results in unplanned site closure (e.g. fire) then the Council may be unable to hold or dispose of waste	5	4	20	4	2	8	Tonnage of residual waste into treatment facilities continue to be optimised to maximise diversion of waste from landfill. Issues remain across our network of bulking facilities, reducing capacity and our ability to improve resilience levels and reduce this risk score.	↓  Expected to move to medium/amber

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2025	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
9.4	E&T	If services do not take into account current and future climate change in their planning, they may be unable to respond adequately to the predicted impacts, leading to significantly higher financial implications and service disruption, as well as making future adaptation more costly.	4	5	20	4	3	12	A revised 5 year programme of work has been developed and was approved by Cabinet on 7th February 2025, which seeks to target existing resources to where it can have most affect in meeting the Council's environmental and net zero commitments. There remains a risk to the council in progressing climate change adaptation work due to resourcing	<div>↔</div> <div>Expected to remain high/red</div>
9.5	E&T	If there are significant changes / clarifications to legislation, policy or guidance then performance could be impacted and cost increases.	5 (increase from 4)	4	20	4	4	16	Highways Good progress made on Asset Management Programme Risk Based approach however it was noted that the implementation of Risk Based Approach reconfiguring work has been delayed by 7 months due to other work taking priority.  Waste Officers have been continuing to identify the potential impacts of proposed Emmissions Trading Scheme measures and communicate this through consultation responses and via representative bodies. Risk impact increased due to £6m effect on MTFS.	<div>↔</div> <div>Expected to remain high/red</div>
10. Category Retired										

**Department**  
A&C = Adults & Communities  
CE = Chief Executives  
CR = Corporate Resources  
C&FS = Children and Family Services

**Department**  
E&T = Environment and Transport  
PH = Public Health  
All = Consolidated risk

\*Target risk score - This is the desired score to be achieved after additional mitigation procedures/controls have taken place.

\*\*The arrows explain the direction of travel for the risk, i.e. where it is expected to be within the next twelve months after further mitigating actions, so that:

- o A horizontal arrow shows that not much movement is expected in the risk.
- o A downward pointing arrow shows that there is an expectation that the risk will be mitigated towards 'medium' and would likely be removed from the register.
- o An upwards pointing arrow would be less likely, but possible, since it would show an already high scoring risk is likely to be greater



RISKS REMOVED SINCE MAY 2023

CRR Risk No	Dept.	Risk Description	Current Risk Score	Reason	Date of Removal
A	ALL	If the Council does not on an ongoing basis plan for, prepare and respond to current and future consequences of the COVID 19 pandemic, then the Council and its communities could suffer long lasting economic, environmental, societal, technological challenges and missed opportunities.	12	The World Health Organisation has downscaled its COVID risk and any impacts on the County Council will be managed by departments.	26-May-23
			I4/L3		
B	ALL	If because of the ongoing war in Ukraine, the Homes for Ukraine Scheme continues beyond its original planned duration, increasing numbers of hosts are likely to end their sponsorships and refugees (or guests) are expected to encounter challenges in securing new sponsors or privately-rented accommodation, then the cost and service pressures on the Council and partners are likely to increase, safeguarding issues might increase and there will be a reputation risk if the scheme fails to provide the support guests require. Cost of living pressures are exacerbating this issue through both in relation to hosts and guests.	9	The impact and likelihood score have been reduced and the risk will be managed within the project team in CFS.	22-Sep-23
			I4/L3		
3.6	CR	If the updates to the ORACLE Fusion system do not meet the County Council's requirements, then there is a risk of work arounds continuing and efficiencies not being delivered.	I4/L3	Reduction in likelihood to 3 x 4 and will be managed at department level as Initial issues are resolved. Work continues on existing workstreams and processes.	26-Jan-24
4.3	E&T	If bus operators significantly change services due to wider external or economic pressures then there could be substantial impacts on communities accessing essential services and lead to required intervention under our PT Policy & Strategy.	I4/L3	Change in likelihood score from 4 to a 3 as more confident in the money from government. Will now be managed at departmental level. •The Government recently announced £150 million of redirected HS2 funding to improve bus services, this is part of the Network North Plan. •In addition, the 'Get Around for £2' cost-of-living support scheme will be extended from 1 November until 31 December 2024. •The department is currently in the process of assessing the ramifications of this announcement and working up a plan forward for Cabinet approval in December.	26-Jan-24
7.5	A&C	If there is continuing increase in demand for assessments (care needs and financial) then it may not be met by existing capacity.	I4/L3	Change in likelihood score from 4 to a 3 as assessment backlog has been reduced by 50%. Will now be managed at departmental level. • Assessment backlog reduced - now under 400. • Temporary staff recruited to assist in recovery. • Focus on updating and simplification of Adult Social Care Finance practice guidance.	26/01/2024 <b>Added back to CRR 31 March 2025</b>
4.2	E&T	If Arriva is successful in its concessionary travel appeal or the City in its challenge on the methodology of reimbursing operators, then reimbursement costs for the scheme could increase.	I5/L3	Settlement was reached which was acceptable and within the region of what was anticipated and allowed for.	20-May-24
7.4	A&C	If LCC's Charging Policy is challenged on the principles of the Norfolk Ruling, then there could be judicial review leading to significant financial impact and reputational damage.	I5/L3	Following consultation, a report was produced for, and approved by, Cabinet 9 Feb 2024. Updated policy to go live 8 April 2024. Likelihood score reduced from 3 to 2. No longer represents a red RAG rating	20-May-24
C	ALL	If the current cost of living crisis continues and even intensifies, or if UK Government interventions cease, then the people and businesses of Leicestershire as a whole will be significantly impacted, and the County Council will have to take some difficult decisions.	I5/L4	Inflation has stabilised and whilst there are still wider impacts ingrained within the MTFS and Children's services corporate risks, the day to day management of the cost of living crisis will be managed at department levels.	16-Sep-24
7.8	ALL	If we fail to develop, implement and maintain robust health & safety systems then there is a risk of breach and potential dangerous occurrences	I5/L4	All RIDDORS are investigated and managed by the Health Safety & Wellbeing Service (H,S&W) and reported to the Health and Safety Executive. Departments are responsible for their own risk management and subject to audits by the H,S&W Service	16-Sep-24
7.6	A&C	If A&C fail to provide robust evidence of good practice for the CQC inspectors, then this will result in a poor inspection outcome and incur reputational risk alongside extra resources and possible external governance to undertake any actions required to make the improvements necessary to fulfil statutory requirements.	I5/L3	The following actions apply to mitigate against the risk. 1. A review and update of the Self-Assessment is completed and there are plans in place. 2. Progress with the activities identified in our improvement plan are being monitored and reported via agreed governance processes. 3. The documents required for the CQC Information Return are being compiled and updated to ensure any gaps are identified and addressed prior to CQC inspection notification. 4. Communications plan developed and activities	06-Dec-24
1.11	CE	If transition to the operational stage were not finalised, then the County Council would not be fulfilling its role as lead authority and accountable body for the East Midlands Freeport.	I5/L3	Assurance was provided that the process is sufficiently advanced in the 'transition to operational' that it would be safe to remove the risk, but it will continue to be managed at department level.	24-Jan-25
1.7	CR	If the Council is not compliant with the HMRC IR35 regulations regarding the employment status for tax of self-employed personnel, then there is a risk of backdated underpaid tax and NI, interest and large financial penalties.	I4/L4	The risk was reviewed in February and there is confidence that with regular reporting requirement established, improvements and declaration of compliance of IR35 are in place and part of BAU but it will continue to be managed at department level.	31-Mar-25

9.6	E&T	If we fail to comply with the Operator’s Licence, then the licence could be revoked/curtailed.	I5/L3	Current Operator Compliance Risk Score (OCRS) is less than 1 and compliance is good overall, if events occur that may increase likelihood following incidents, audits or other events then this will be updated accordingly. The risk will continue to be managed at department level.	31-Mar-25
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### Risk Impact Measurement Criteria

Scale	Description	Department Service Plan	Internal Operations	People	Reputation	Impact on	Impact from* <sup>1</sup>	Financial per annum / per loss * <sup>2</sup>
						the Environment		
1	Negligible	Little impact to objectives in service plan	Limited disruption to operations and service quality satisfactory	Minor injuries	Public concern restricted to local complaints	None or insignificant damage		<£50k
2	Minor	Minor impact to service as objectives in service plan are not met	Short term disruption to operations resulting in a minor adverse impact on partnerships and minimal reduction in service quality.	Minor Injury to those in the Council's care	Minor adverse local / public / media attention and complaints	Minor local impact	Minor damage	£50k-£250k Minimal effect on budget/ cost
3	Moderate	Considerable fall in service as objectives in service plan are not met	Sustained moderate level disruption to operations / Relevant partnership relationships strained / Service quality not satisfactory	Potential for minor physical injuries / Stressful experience	Adverse local media public attention	Moderate local impact	Moderate damage and risk of injury	£250k - £500k Small increase on budget/ cost. Handled within the team/service
4	Major	Major impact to services as objectives in service plan are not met.	Serious disruption to operations with relationships in major partnerships affected / Service quality not acceptable with adverse impact on front line services. Significant disruption of core activities. Key targets missed.	Exposure to dangerous conditions creating potential for serious physical or mental harm	Serious negative regional criticism, with some national coverage	Major local impact	Major damage and risk to life	£500-£750k. Significant increase in budget/cost. Service budgets exceeded
5	Very High/ Critical	Significant fall/failure in service as objectives in service plan are not met	Long term serious interruption to operations / Major partnerships under threat / Service quality not acceptable with impact on front line services	Exposure to dangerous conditions leading to potential loss of life or permanent physical/mental damage. Life threatening or multiple	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation <u>i.e.</u> front-page headlines, TV. Possible criminal, or high profile, civil action against the	Major regional or national impact.	Wide scale damage and risk to life	>£750k Large increase on budget/cost. Impact on whole council

				serious injuries	Council, members or officers			
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\* Note that a different financial rating is used for the pension fund investments

Risk Likelihood Measurement Criteria

Rating Scale	Likelihood	Example of Loss/Event Frequency	Probability %
1	Very rare/unlikely	EXCEPTIONAL event. This will probably never happen/recur.	<20%
2	Unlikely	Event NOT EXPECTED. Do not expect it to happen/ recur, but it is possible it may do so.	20-40%
3	Possible	LITTLE LIKELIHOOD of event occurring. It might happen or recur occasionally.	40-60%
4	Probable /Likely	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue.	60-80%
5	Almost Certain	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently.	>80%

Risk Scoring Matrix

Impact

5 Very High/Critical	5	10	15	20	25
4 Major	4	8	12	16	20
3 Moderate	3	6	9	12	15
2 Minor	2	4	6	8	10
1 Negligible	1	2	3	4	5
	1 Very Rare/Unlikely	2 Unlikely	3 Possible/Likely	4 Probable/Likely	5 Almost certain

Likelihood





## CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025

### REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

#### ANNUAL COUNTER FRAUD REPORT 2024-25

##### Purpose of Report

1. The purpose of this report is to inform the Corporate Governance Committee (the Committee) of the counter fraud activities that took place across the Council during the 2024-25 financial year.

##### Background

2. Within its terms of reference, the Committee has a responsibility to monitor the effectiveness of the Council's arrangements for combating fraud and corruption and approve relevant policies. The Council does not have a dedicated counter fraud investigation team. Responsibility for co-ordinating the Council's approach to counter fraud lies with the Internal Audit and Assurance Service, Corporate Resources department. As an upper-tier local authority, the Council does not have exposure to some of the high-volume, high-risk, fraud areas that typical district and unitary councils do, such as Council Tax, Housing Tenancy or Right to Buy.
3. Although the Council does not provide many of the services that have traditionally been at high risk of fraud that is no reason for the Council to become complacent regarding the risk of fraud and its effect on the public purse. A strong commitment to countering the risk of fraud and other financial irregularity is key in protecting the Council's assets, monetary and otherwise. The Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary, the investigation, of fraud is therefore an important aspect of its duties.
4. The Council advocates strict adherence to its anti-fraud framework and associated policies. The Council has a publicised **zero-tolerance** approach to fraud, corruption and other financial irregularities in all its forms. The Council will take all necessary steps to identify, investigate and disrupt instances of fraud and take appropriate action against any individuals or organisations involved in fraud or corruption.

5. Historically, a counter fraud update has been provided to each meeting of this Committee under the auspices of the wider Risk Management Update report. For the first time, an annual report is being presented and the intention, moving forward, is to continue to do so. This follows a specific recommendation to develop an annual fraud report contained within the external peer review of the Council's Assessment against the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption (2023) and a similar recommendation by Grant Thornton LLP in the External Auditor's Annual Report (2023-24).
6. The Annual Counter Fraud Report 2024-25 is attached as Appendix A.

### **Recommendations**

7. The Committee is recommended to:
  - (i) note the contents of this report;
  - (ii) agree to receive further reports on an annual basis;
  - (iii) agree that unless a major issue arises or there is a government requirement for more regular reporting, dispense with in-year counter fraud updates which currently form part of the wider Risk Management Update reports presented at each meeting of this Committee.

### **Resource Implications**

8. The Council takes its responsibilities to protect the public purse seriously and is fully committed to the highest ethical standards, to ensure the proper use and protection of public funds and assets. To achieve the objectives set out within the Council's Strategic Plan 2022-26, the Council needs to maximise the financial resources available to it. To do this, the Council has an ongoing commitment to continue to improve its resilience to fraud, corruption and other forms of financial irregularity.

### **Equality and Human Rights Implications**

There are no specific equality and/or equal rights implications arising from this report.

### **Background Papers**

None.

### **Circulation under the Local Issues Alert Procedures**

None.

### **Officers to Contact**



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### **List of Appendices**

Appendix A: Annual Counter Fraud Report 2024-25

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# Leicestershire County Council

## Internal Audit & Assurance Service

# Annual Counter Fraud Report

**(April 2024 – March 2025)**



## **Leicestershire County Council Internal Audit & Assurance Service**

### **Annual Counter Fraud Report (April 2024 – March 2025)**

#### **1. Introduction**

This report seeks to summarise the counter fraud activity that has taken place within the County Council during the 2024/25 financial year.

Fraud is a significant risk to the public purse and the Council has a responsibility to prevent, detect and deter fraud related activity. It does this through its counter-fraud service, undertaking both proactive (planned) and reactive (demand led) activity. This is coordinated through the Internal Audit & Assurance Service, Corporate Resources Department. Reactive work is not solely restricted to fraud investigations but extends to other investigatory work, e.g. management commissioned reviews into process failings.

Within its Terms of Reference, the Corporate Governance Committee has a responsibility to monitor the effectiveness of the Council's arrangements for combating fraud and corruption and the approval of relevant policies.

#### **2. Fraud Landscape**

Fraud and error cost the taxpayer billions of pounds each year – but most of the potential loss goes undetected. Based on the Public Sector Fraud Authority's (PSFA) methodology, the National Audit Office (NAO) estimates that fraud and error cost the taxpayer £55 billion to £81 billion in 2023-24. Only a fraction of this is detected and known about – enabling investigation and recovery.

Local authorities continue to face significant fraud challenges and whilst the official figures specific to just LAs are at times dated the importance of protecting funds and vulnerable people remains. Tackling fraud is an integral part of ensuring that tax-payers money is used to protect resources for frontline services. The Local Government Transparency Code includes an estimation that the cost of fraud to local government is in the region of £2.1

billion a year. This is money that can be better used to support the delivery of front-line services and make savings for local taxpayers.

The Government's Economic Crime Plan states that the numbers of fraud offences rose by 12% during 2018 to 3.6 million – constituting a third of all crimes in the UK. Although an outdated figure, and whilst we do not have a wholly reliable estimate of the total scale of economic crime, assessments within the public and private sectors indicate that the scale of the economic crime threat continues to grow.

As an upper-tier local authority, the Council does not have exposure to some of the high-volume, high-risk, fraud areas that typically affect district and unitary councils, such as Council Tax, Housing Tenancy or Right to Buy, which comprise a significant proportion of the total national picture.

Fraud is a significant risk for all organisations and local government is no different. Fraud can be internally perpetrated (insider fraud or employee fraud) or externally perpetrated. Indeed, it could be a blend of internal and external factors, e.g. through collusion.

### **3. Zero-Tolerance Approach to Fraud & Corruption**

The Council has a published **zero-tolerance** approach to all forms of fraud, corruption and other financial irregularities. The Council will take all necessary steps to identify, investigate and disrupt instances of fraud and take appropriate action against any individuals or organisations involved in fraud or corruption. This may include internal disciplinary action, dismissal, referral to law enforcement agencies, deregistration applications (e.g. with professional bodies), cessation of provision of services to a client (service user) involved in fraudulent activity, contract termination regarding a provider or supplier involved in fraudulent activity, loss recovery action, etc.

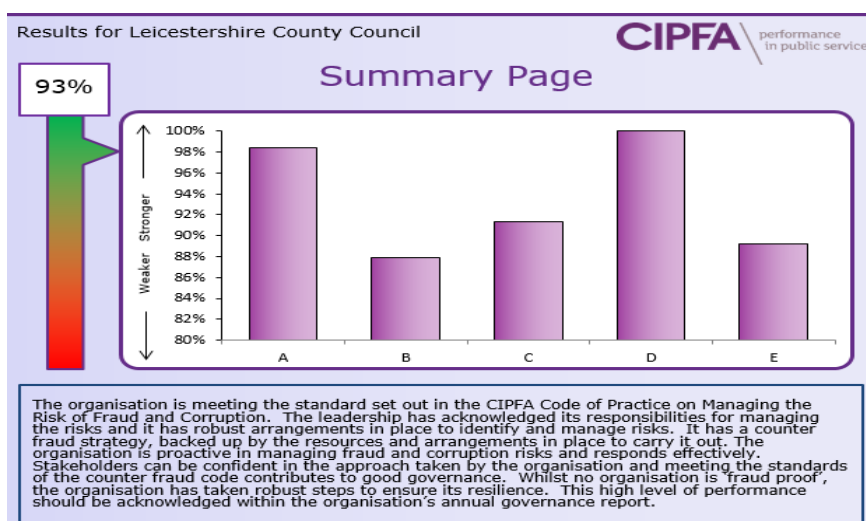
The Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary, the investigation, of fraud and corruption is therefore seen as an important aspect of its duties which it is committed to undertake.

#### 4. Assessment against the CIPFA Code of Practice – Managing the Risk of Fraud & Corruption

The Council seeks to regularly self-assess its counter fraud approach against the CIPFA Code of Practice – ‘Managing the Risk of Fraud and Corruption’ (the Code). Assessment is not mandatory but is recommended as good practice. Leaders of public sector organisations have a responsibility to embed effective standards for countering fraud and corruption. This supports good governance and demonstrates effective financial stewardship and strong public financial management. The five key principles of the Code are to:

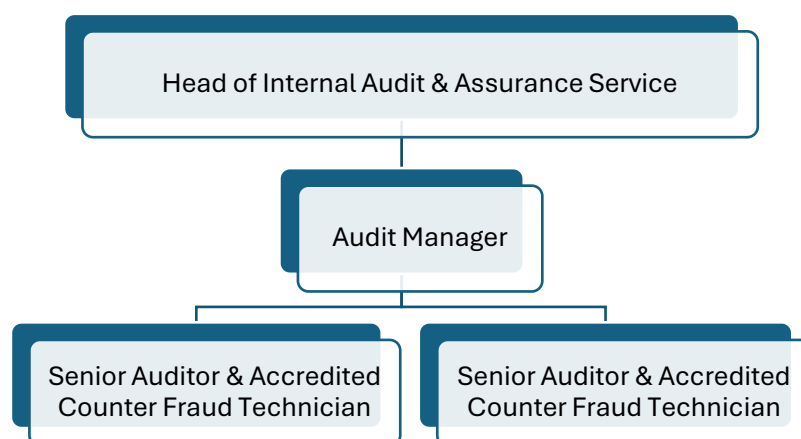
- A - Acknowledge the responsibility of the governing body for countering fraud and corruption
- B - Identify the fraud and corruption risks
- C - Develop an appropriate counter fraud and corruption strategy
- D - Provide resources to implement the strategy
- E - Take action in response to fraud and corruption.

The most recent assessment was undertaken in 2023. The assessment method is primarily through self-evaluation; however, the Council decided to arrange for the assessment to be peer reviewed by the Corporate Investigation Manager from a neighbouring council to independently stress-test the results/conclusions and to check that these were reasonable. The results of the 2023 assessment were overall positive with the recommendations arising from the assessment now implemented.



## 5. Counter Fraud Resources

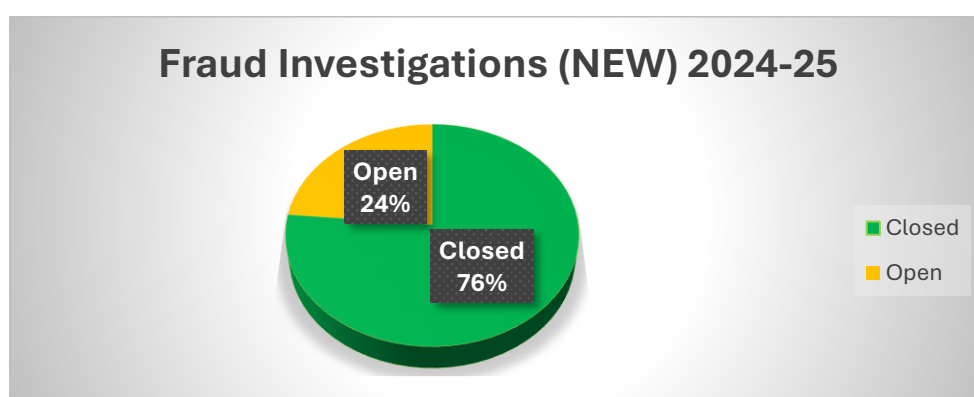
Strategic responsibility for counter fraud rests with the Head of Internal Audit and Assurance Service. Within the team, two senior auditors hold the CIPFA Counter Fraud Technician qualification. These two members of staff report to an Audit Manager who gives managerial oversight. Other auditors and relevant specialists are called upon to provide assistance as required.



Counter fraud work is both proactive (planned) and reactive (i.e. demanded, e.g. investigations). For the 2024/25 financial year, the total time incurred on counter fraud work was 126 days (45 proactive and 81 reactive). The two senior auditors devoted almost 100 days (approximately 30% of their resource net of overheads and work for other clients).

## 6. Number and Status of New Investigations Commencing in 2024/25

New Fraud Investigations Commencing in 2024/25 (*)	17	100%
Number Closed at Year-End	13	76%
Number Remaining Open at Year-End	4	24%



Whilst it is desirable for fraud investigations to be closed down promptly, this is not always possible, e.g. in complex investigations or investigations involving law enforcement agencies. It is, therefore, not unusual for some fraud investigations to straddle more than one financial year.

*(\*) n.b. the metrics shown above also include any cases determined upon investigation to not be fraudulent in nature but which started off as fraud investigations at the outset. The metrics do not include non-fraud work, e.g. management commissioned reviews into process failings.*

## **7. Undertaking Fraud Investigations**

Responsibility for undertaking fraud investigations will depend upon several factors, e.g. the complexity of the matter under investigation. Some will be departmentally led by managers, with oversight and support from the Internal Audit & Assurance Service and other relevant stakeholders such as Human Resources and Legal Services. In some cases, the Internal Audit & Assurance Service may lead on the investigation, whilst in others it may be other specialist officers, e.g. ICT Services, or on some occasions an externally commissioned resource. A strategy meeting of relevant officers may determine that a discussion is required with Leicestershire Police.

## **8. Summary of Investigations Closed in 2024/25 by type/category**

2024/25 Investigations Closed During 2024/25	13
Prior Year Investigations Closed During 2024/25	8
TOTAL NUMBER CLOSED DURING 2024/25	21

A summary of themes in relation to common fraud risks and investigations undertaken includes the following (n.b. it would be inappropriate at this stage to discuss details of *ongoing* investigations):

**Procurement.** Exposure to procurement fraud could be in several areas, including the tendering and contract award stage and the post-contract award stage, e.g. overcharging, duplicate payments, etc. No fraud was identified during the year; however, procurement remains a significant focus and the Internal Audit & Assurance Service has been involved in brokering



process changes in several areas to further fraud-proof systems and processes.

**Employee / Insider Fraud.** Insider fraud can take many forms, e.g. travel claims, theft, absence fraud, recruitment fraud, etc. A small number of low-level issues arose during the year, and appropriate action was taken in all cases in line with HR and other policies.

**Cyber Fraud.** Cyber fraud can take many forms, e.g. mandate fraud, “bogus boss” fraud, payment redirection fraud, phishing attempts, etc. A small number of low-level issues arose during the year, and were dealt with as appropriate, with no financial loss to the Council. These were low impact issues causing inconvenience rather than breach of data.

**Social Care.** Social care fraud can include direct payments fraud, deprivation / non-declaration of assets and financial abuse of vulnerable service users (safeguarding). No fraud was identified during the year. Proactive audit work took place in major risk areas during the year leading to the brokering of process changes in several areas to further fraud-proof systems and processes.

**Grants Payable.** Grant fraud can comprise bogus or exaggerated applications or mispend of grant. One instance was referred to Action Fraud. Internal processes were strengthened as a result. A further case was unsubstantiated upon investigation.

**Council funding of external providers.** This can comprise false or exaggerated claims or mispend of funding. A monitoring visit was undertaken to one provider and overpayment identified and clawed back.

## **9. Savings**

Savings associated with special investigations and counter fraud work are difficult to quantify. Sometimes there will be direct savings, for example stopping a fraud at source, recovery of a duplicate payment or repayment of a dubious transaction, e.g. travel or overtime claim, whereas other savings from the counter fraud function is unquantifiable, e.g. the notional ‘value’ associated with ongoing proactive counter fraud work and fraud awareness

raising, and other ‘deterrence’ activity. In practice, however, it is not possible to gauge or calculate how many frauds or errors have been prevented as a result of fraud advice, fraud awareness raising and promoting a strong internal control environment.

Examples of savings made include the repayment of an overclaim by a provider (c. £3k), repayment of ineligible expenditure incurred (c. £870), the prevention of a salary misdirection (c. £4k) and the blocking of a fraudulent grant applicant, thus preventing bogus claims from coming in.

For initiatives such as the National Fraud Initiative (see para. 20) there is a nationally accepted formulae set used to extrapolate and put an estimated ‘educated guess’ value to savings. As an example, if an overpayment is identified to a deceased person (e.g. pension), the formula assumes that, if it had not been detected, the overpayment would have continued until that individual’s 80<sup>th</sup> birthday.

## **10. Lessons Learned / Continued Service Improvement**

Despite best efforts to mitigate fraud risk it is inevitable that within a large organisation such as the County Council there will be fraudulent activity from time-to-time. Part of the Council’s response to fraud is a review of lessons learned, in conjunction with the relevant service concerned, and subsequent process improvements in order to prevent or mitigate the risk of recurrence. Any actions arising from this activity may be included in the Council’s Counter Fraud Action Plan where appropriate.

## **11. Governance of Counter Fraud Activity**

Oversight of counter fraud activity rests with the Head of Internal Audit & Assurance Service and the Assistant Director – Strategic Finance & Commissioning, both of whom receive regular updates on counter fraud work and ongoing investigations.

Counter fraud updates are provided to each meeting of the Corporate Governance Committee as part of the standing risk management update

and it is intended to maintain an Annual Counter Fraud Report to the Committee.



## **12. International Fraud Awareness Week (IFAW)**

The Internal Audit & Assurance Service uses IFAW, in November each year, to issue targeted messages to staff during the week via the Intranet and other means on a range of topical fraud risk areas. A strong and continuous process of raising awareness of fraud risk with staff remains a key defence against fraud and IFAW provides an ideal opportunity each year to convey important messages through proactive communications. This also includes advice to staff on fraud risks in their personal lives as part of our ‘good employer’ obligations.



Whilst IFAW gives a good opportunity to specifically focus on counter fraud awareness raising and other initiatives, in reality proactive counter fraud

work takes place throughout the year, with ongoing advice and support provided within the organisation at relevant points.

Additionally, colleagues within ICT Services used Cyber Security Awareness Month in October 2024 to raise awareness of cyber security and its profound impact on everyone's personal and professional lives. There is often a link between fraudulent activity and cyber-crime, including phishing, spoofing, QR-code fraud ('quishing') and identity theft, although cyber-crime has a broader spectrum wider than just fraud, e.g. denial of service attacks, ransomware, software piracy, cyber-bullying, on-line money laundering.

### **13. Fraud Risk Assessment**

The CIPFA Code of Practice – 'Managing the Risk of Fraud & Corruption' recommends that local authorities identify and assess the major risks of fraud and corruption to the organisation. The Internal Audit & Assurance Service performs a biennial fraud risk assessment and uses the results to direct counter fraud resources accordingly. The County Council does not provide some of the services that have traditionally been considered to be at high risk of fraud, such as revenue and benefits but it is recognised that the Council cannot become complacent regarding the risk of fraud and its effect on the public purse.

National fraud intelligence received through networks such as the CIPFA Counter Fraud Centre and the National Anti-Fraud Network (NAFN) helps to inform local authorities of key current fraud risks for councils and also of emerging frauds relevant to the sector. Such intelligence is used proactively to inform the fraud risk assessment. The Council networks closely with other local authorities to share both fraud intelligence and strategies to manage fraud risks, including via the Midland Counties' Fraud Group.

The highest-scoring areas in the Council's Fraud Risk Assessment (2024) are procurement fraud (both pre-contract award stage and post-contract award stage), social care fraud (e.g. misuse of direct payments, deprivation of assets to increase the Council's contribution to care costs), cybercrime, mandate fraud and insider fraud. These high-scoring areas are typically those reported nationally by other councils too. The fraud risk assessment

helps to direct the Council's overall strategy for countering fraud and enables the Council to direct its counter fraud resources accordingly. Consequently, this informs the internal audit annual planning process where a range of audit assignments will typically be developed within the annual audit plan with specific fraud risks in mind.

In terms of *emerging* fraud risks, cyber-crime becomes ever more sophisticated, whilst the risks associated with insider fraud are acknowledged as being greater during economic downturn, e.g. with cost-of-living pressures.

In terms of *decreasing* fraud risks, cash frauds and thefts are less prominent as we move increasingly to becoming a cashless society, with electronic transactions becoming increasingly the norm. It should be noted however that electronic payments bring specific risk too, e.g. cyber-enabled fraud and this simply demonstrates the need to recognise that those involved in fraudulent activities will adapt their methodology to achieve their objectives.

There is no such thing as 'a typical fraudster'. Whilst many fraudsters are organised career criminals, skilled in the art of deception, often based overseas, other fraudsters are simply 'chancers', taking the opportunity to commit fraud due to personal circumstances (motivation) or simply because the opportunity to defraud arises, e.g. insider (employee) fraud.

The 'Fraud Triangle' [Cressey] illustrates the three fundamental factors that contribute to the risk/likelihood of fraud – (i) opportunity, (ii) rationalisation and (iii) pressure (motivation). Through effective internal controls, organisations such as the County Council can significantly reduce the opportunity for somebody to commit fraud, whilst continued fraud awareness raising can manage the rationalisation factor by imparting a strong message that fraud committed against a large organisation such as the County Council is not a victimless crime and that every pound lost to fraud is a pound that could have otherwise been spent on essential public services.



#### **14. Insider (Employee) Fraud**

Within any large organisation there is the risk of insider, or employee, fraud. Insider fraud can take many forms including, but not restricted to, theft of cash or assets, bribery and corruption (e.g. undeclared conflicts of interest), concealed nepotism, recruitment fraud, sickness absence fraud, secondary employment (specifically being absent in one job in order to undertake another), funds re-diversion to false bank accounts, misuse of assets (e.g. vehicles), expenses fraud (e.g. overtime, expense claims), abuse of position, theft of information.

The Council seeks to manage the risks associated with insider fraud through a number of ways including having robust policies and procedures in place (e.g. Employee Code of Conduct), effective corporate induction processes, staff mandatory fraud training, a strong internal control environment and a robust deterrence through our published zero-tolerance approach to fraud and financial irregularity.

The Council operates robust recruitment / on-boarding processes designed to ensure that candidates are both bona fide and suitable for employment within the organisation, including DBS checking, validation of qualifications and/or professional registrations, following-up gaps in employment history and the taking-up of references, e.g. from previous employment.

## **15. Failure to Prevent Fraud**

A new offence of ‘failure to prevent fraud’ will come into force on 1 September 2025, after having been introduced by the Economic Crime and Corporate Transparency Act 2023. The legislation has created this new failure to prevent fraud corporate offence to hold organisations to account if they profit from fraud committed by their employees or other “associated persons” working on behalf of the organisation.

Since the Council is within the scope of the legislation, an internal risk assessment has been undertaken which identifies that there is low risk to the Council due to the nature of its operations. The offence arises only where employee fraud directly benefits the organisation itself so is more geared to commercial sectors such as sales, e.g. corrupt sales practices leading to increased profits for the organisation concerned.

It is a defence for an organisation to show it has “reasonable procedures” in place to prevent fraud at the time that the fraud was committed. Early steps have been taken to catalogue the wide range of counter fraud controls in place within the Council to mitigate the risk of employee (insider) fraud or fraud by other “associated persons”. These include mandatory fraud awareness training, a defined and updated declaration process for conflicts of interests and for gifts and hospitality, a formal whistleblowing channel, fraud referral channels and the operation across the Council of a robust internal control environment.

## **16. Counter Fraud Action Plan**

A two-yearly counter fraud action plan is in place setting out several key actions / improvements intended in the medium-term to improve the Council’s resilience to fraud risk yet further. The current action plan (2024-26) is shown towards the end of this report (Appendix 1).

Oversight of the action plan is provided by the Head of Internal Audit & Assurance Service and the Assistant Director – Finance, Strategic Property & Commissioning, both of whom receive regular progress updates regarding

the implementation of intended actions, and by the Corporate Governance Committee which receives updates on the status of the action plan.

## **17. Counter Fraud Policies and Procedures**

The Internal Audit & Assurance Service is responsible for the maintenance of the Council's counter fraud policies – the overarching Anti-Fraud & Corruption Strategy, and supplementary policies on Anti-Bribery, Money Laundering and Preventing the Facilitation of Tax Evasion. These complement other council policies, indirectly fraud-related, such as Gifts & Hospitality, Pecuniary & Business Interests, Employee & Member Codes of Conduct and Whistleblowing.

These policies can be accessed on the Council's website as well as, internally, on the corporate intranet - [Fraud | Leicestershire County Council](#)

The four policies produced by the Internal Audit & Assurance Service have been revised during the 2024/25 financial year as part of a standard two-yearly review and update process.

## **18. Fraud Referral Channels**

During the 2024/25 financial year two new avenues have been developed to enable both staff and the general public to raise fraud concerns with the Council. These are (i) a generic fraud email mailbox, and (ii) a web-based e-referral form. The existence of these new channels of reporting fraud has been promoted to staff through several channels including internal communications, e-learning tools and a noticeboard poster campaign.





On a small number of occasions, incoming fraud referrals are noted to **not** have relevance to the County Council, e.g. benefit fraud (DWP), income tax avoidance (HMRC) or council tax fraud (district colleagues). Also, on occasions, referrals are received that should have been made to Leicester City Council. In such instances our approach is to forward on the referral to the appropriate council / agency.

## **19. Data Matching**

The Council is an active participant in the National Fraud Initiative (NFI). The NFI is a mandatory data-matching exercise coordinated by the Cabinet Office which seeks to identify potential anomalies and fraud through matching the Council's data sets, e.g. payroll, pensions, creditors, employee data (potential conflicts of interest), blue badges, concessionary travel, etc., with those of other mandatory participants, including the Department for Work and Pensions deceased persons data and company director data held at Companies House.

Examples of what NFI data matching might identify include:

- Continuing payment of pension to a deceased person.
- An employee with a job at another organisation concurrent to his/her employment with LCC.
- An employee and a creditor with the same bank account, i.e. undeclared connections and potential corruption.
- Other undeclared personal interests, e.g. company directorships.
- Duplicate payments.
- Continuing service provision where a person is deceased, e.g. a disabled parking pass (blue badge) remaining in circulation with an associated risk of third-party misuse.

The Internal Audit & Assurance Service also undertakes internal data matching through bespoke products intended to identify fraud or error, e.g. duplicate payments analysis, or undisclosed employee relationships to suppliers, e.g. through matching employee to creditor bank accounts.

## **20. National Fraud Initiative 2024-26**

Output from the latest NFI exercise (2024-26) was released back to Councils in December 2024. Work is currently underway to review matches to determine if there are instances of fraud or error. A summary of the output from NFI 2024-26 is appended at Appendix 2.

Outcomes will be reported through to the Corporate Governance Committee at the conclusion of the exercise.



## **21. Reporting Fraud under the Local Government Transparency Code**

Under the statutory Local Government Transparency Code 2015 (updated in January 2025), the Council is required to publish on its website, annually, summary details of fraud investigations including the total number of frauds investigated and the total amount spent by the authority on the investigation of fraud. Details for 2024/25 have been published and can be viewed via the link below: -

<https://www.leicestershire.gov.uk/about-the-council/council-spending/payments-and-accounts/cost-of-fraud-investigations>

## **22. Whistleblowing**

The Council's whistleblowing process is administered by the Director of Law & Governance and Director of Corporate Resources. Whistleblowing referrals to the Council arise on a wide range of issues, including regarding fraud or financial irregularity. Where a whistleblowing referral concerns fraud, the standard process is for it to be referred to the Head of Internal Audit & Assurance Service and progressed under the Fraud Response Plan.

In addition, the Director of Law & Governance and Director of Corporate Resources take an annual whistleblowing report to the Corporate Governance Committee.



### **23. Mandatory Fraud Awareness Training**

The Council's mandatory fraud awareness training module was refreshed during the 2024/25 financial year. As part of this refresh, all staff will be expected to undertake recertification within an initial six-month period.

At the end of the financial year, the take-up rate had reached 65%. As the initial six-month completion window draws to a close, steps will commence to identify and specifically target individual sections where take-up is low.

Furthermore, two-yearly refresher training on fraud awareness has been developed in an on-going effort to keep fraud risks prominent in the minds of staff. This refresher training is mandatory for all staff. Historically, fraud awareness training required 'one-off' completion only and this refresher training will should help to keep fraud risk at the forefront of everybody's minds and mitigate the risk of staff fraud awareness knowledge waning over time.

Additional training exists specifically regarding procurement fraud risk and efforts continue to promote this training to those staff with elements of procurement activity within their job roles and responsibilities.

During the last year, the Council's fraud resource page on the Corporate Intranet (SharePoint) has been refreshed. This page contains advice and guidance to staff on a range of fraud-related issues.

## 24. Links With Other Internal Services

As well as being the contact point for departments with regard to fraud-based concerns, the Internal Audit & Assurance Service works with internal services with regard to fraud prevention advice and other proactive counter fraud communications. This includes close working with Legal Services, Human Resources, ICT Services, Trading Standards and the Corporate Communications Team.

The Council's Trading Standards Scams Team issues advice to consumers through the year through consumer newsletters, social media presence and other communications, e.g. Leicestershire Matters. The Council is well-placed to help consumers and the general public to become and remain 'fraud aware' and to develop a scepticism that sometimes all is not what it seems.



## 25. Liaison with Leicestershire Police

The Council's Fraud Response Plan includes discussion with Legal Services including consideration of referral to the police to consider whether criminal investigation is appropriate depending on the circumstances.

The Council has forged links with Leicestershire Police and has a named contact within the Force's Economic Crime Unit. This enables developing

investigations to be discussed with the Police at an early stage and, if relevant to do so, prior to formal referral as a crime.



## **26. External Networking**

The Internal Audit & Assurance Service networks with external bodies and organisations to share fraud intelligence and advice. This includes the Midland Counties' Fraud Group, the CIPFA Counter Fraud Centre, The National Anti-Fraud Network (NAFN), The East Midlands' Cyber Resilience Centre, neighbouring Leicester City Council's Corporate Fraud Investigations Team, The National Trading Standards Service, The Cabinet Office, and Leicestershire Police.



## **27. Other Fraud-Related Work Across the Council**

Supplementary to the counter fraud work discussed in this report and largely co-ordinated by the Internal Audit & Assurance Service, there is other business-as-usual work within the Council which could have a fraud slant, for example: -

- Disabled person's parking permits (blue badges), where (district council employed) Enforcement Officers will issue Penalty Charge Notices (PCNs) in cases of low-level blue badge misuse.
- Leicestershire Registration Service, e.g. sham marriages or concerns surrounding impersonation and identity crime.
- Trading Standards enforcement work, e.g. counterfeit goods, rogue trading, other business-specific fraud.
- Adult Social Care – assessment of care needs, financial assessment, validity of spend, e.g. personal budgets.

## **28. Schools and Colleges**

Maintained schools operate with a significant degree of independence from the Council. Nevertheless, the Internal Audit & Assurance Service issues proactive counter fraud advice to schools, e.g. dissemination of intelligence about new and emerging fraud threats for schools through the Schools' Portal, or best practice advice.

The Internal Audit & Assurance Service undertakes routine assurance audit visits on a risk-assessed basis to maintained schools. Audit coverage during visits assesses that schools have effective controls in place to safeguard against fraud, an example being a separation of duties in key financial processes (e.g. ordering and payments). Where vulnerabilities are identified that give rise to fraud risk, these are escalated to governing bodies in a written report.

**Appendix 1 – Counter Fraud Action Plan 2024-26**

#	Action	Target Date
1.	Biennial revisions to the (four) counter fraud policies that are owned by the Internal Audit & Assurance Service (Anti-Fraud & Corruption Policy, Anti-Bribery Policy, Policy for the Prevention of Facilitation of Tax Evasion, Anti-Money Laundering Policy). To include a rationalisation by size of the Anti-Fraud & Corruption Policy.	October 2024
2.	Issue targeted comms to key staff and departments during International Fraud Awareness Week (November each year) highlighting key fraud risk areas.	November 2024 and 2025
3.	Biennial refresh of the Council's Fraud Risk Assessment.	January 2025
4.	Explore and develop mandatory refresher training to supplement the corporate e-learning module on fraud awareness.	April 2025
5.	Consider, in conjunction with the Director of Law & Governance and s.151 officer, the development of both an on-line fraud referral e-form on the Council's website, and a generic fraud mailbox.	April 2025
6.	Develop the concept of there being a corporate risk of fraud and having this risk scored for potential inclusion on the corporate risk register, to formalise the risk itself and the mitigation strategies both in place and proposed.	April 2025
7.	To co-ordinate investigations into priority matches identified by the National Fraud Initiative 2024/25 output reports.	August 2025

8.	Explore the virtues of developing a role of a departmental fraud champion, a friendly face within each department who can act as a point of initial contact for both departmental staff and the corporate counter fraud function, e.g. dissemination of information.	August 2025
9.	Evaluation of additional services available to procure through the National Fraud Initiative (NFI), CIFAS, and other solutions, e.g. additional data matching, supplementary to the main (two-yearly) NFI exercise.	August 2025
10.	Evaluate the potential benefits of moving to an annual counter fraud report to the Corporate Governance Committee.	August 2025
11.	To deliver fraud awareness training to School Business Managers through the (new) SBM Forum established by the C&FS department (c/f from 2022-24 Action Plan due to department inactivity).	December 2025
12.	Monitor changes and enhancements to the Council's processes regarding blue badge fraud resilience post the outcome of the Department for Transport (DfT) national review of blue badge fraud and councils' approaches to tackling it (c/f from 2022-24 Action Plan due to DfT inactivity).	December 2025
13. NEW	Roll-out within the Council of the Fighting Fraud & Corruption Locally (FFCL) Adult Social Care fraud toolkit and resources.	July 2025
14. NEW	Contribute to the Transformation Unit's work on Savings Under Development – Direct Payments.	July 2025
15. NEW	To review the process for identifying and actioning any lessons learned following closed investigations.	July 2025



## Appendix 2 – Summary of NFI Output 2024-26

NFI Report Ref. No.	Description	See Note	Number of Matches
52	Pensions to DWP Deceased	2	169
54-57	Pensions to Payroll		619
66-67	Payroll to Payroll	1	35
78	Payroll to Pensions	1	3
80-81	Payroll to Creditors	1	51
170-173	Blue Badge Parking Permit to Blue Badge Parking Permit		322
172.1	Blue Badge Parking Permit to DWP Deceased	3	1215
172.2	Concessionary Travel Permit to DWP Deceased	3	5533
172.3	Residents Parking Permit to DWP Deceased	3	1
175.6	Residential Parking Permit – same vehicle registration		4
303	Blue Badges to Amberhill Data	5	2
306	Concessionary Travel to Amberhill Data	5	1
700-703	Duplicate Creditors	1,4	356
707-713	Duplicate Records	1, 4	9343
709	Overpaid VAT	1	54
750-752	Procurement – Payroll to Companies House	1	34

### Notes

- (1) Output includes ESPO matches too. ESPO matches are, however, investigated separately and ultimately reported through to ESPO Management Committee.
- (2) There is a delay between data being uploaded to NFI and NFI output being received back by participants. Whilst matches to the DWP deceased persons data are always prioritised, e.g. pensions, in most cases, come the time of output being investigation, the deaths have long since been identified through standard business-as-usual processes and relevant action taken.
- (3) Due to Blue Badges and Concessionary Travel Permits being issued with a long-term expiry date, it is not uncommon for a permit to still be technically 'in date' despite the permit holder having deceased mid-term. This does not necessarily indicate misuse or fraud although higher-risk outliers are investigated on a risk-assessed basis.
- (4) Due to LCC and ESPO being required to submit separate data sets, but which are later consolidated into one output set, this does give rise to false positives on some of the reports, e.g. report 708, where a large number of suppliers who trade with both LCC and ESPO are shown erroneously as potential duplicates. These are discounted at triage stage.
- (5) Amberhill is an initiative led by the Metropolitan Police Service. The team collate and distribute data on false identities and share it with counter crime partners, including the NFI, to help detect fraud. This data consists of counterfeit and forged passports, national identity cards and driving licences which are manufactured or obtained by organised criminal gangs. Amberhill data also includes fraudulently obtained genuine UK driving licences.

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## **CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025**

### **REPORT OF THE DIRECTOR OF CORPORATE RESOURCES**

#### **CIPFA FINANCIAL MANAGEMENT CODE – 2025/26**

##### **Purpose of the Report**

1. The purpose of this report is to inform the Committee of the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2025/26.

##### **Background**

2. Following concerns around the financial resilience and management of local authorities, CIPFA developed the Financial Management code (the Code). This is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.
3. The Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:
  - financially manage the short, medium- and long-term finances of a local authority;
  - manage financial resilience to meet unforeseen demands on services;
  - manage unexpected shocks in their financial circumstances.
4. The Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. The Code incorporates CIPFA's existing requirements on local government so as to provide a comprehensive picture of financial management in an authority.
5. Each local authority must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the Code is a collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.
6. The Code does not prescribe the financial management processes that local authorities should adopt. Instead it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is

proportionate to the risks to the authority's financial sustainability posed by the pressures of scarce resources and rising demands on services. The Code identifies these risks to financial sustainability and introduces an overarching framework of assurance which builds on existing best practice.

7. The principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable:
  - Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
  - **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
  - Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
  - Adherence to professional **standards** is promoted by the leadership team and is evidenced.
  - Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
  - The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.
8. The last assessment, looking back at 2022/23, was presented to the Committee in January 2024.

### **CIPFA Financial Management Code – Assessment**

9. The Code does not specify the frequency, or the financial year compliance should be reported. Some authorities report on compliance retrospectively at the end of the financial year. However, others report at the start of each financial year based on the latest Medium Term Financial Strategy and the position at the time. The Council has taken the latter approach for the latest assessment. This allows reporting of the Council's most up to date position and of any improvements, where needed.
10. The self-assessment of the Council's compliance with the requirements of the Code, and areas for further development, are detailed in Appendix A. The assessment is as at May 2025. The assessment includes an update on progress against recommendations made throughout the year by the external auditor, reported as Appendix B.
11. The assessment shows that the County Council meets the requirements of the Financial Management Code.
12. The Internal Audit Service has undertaken a high level review of the 2025/26 assessment and concluded that there are no other issues to report. Reference is also made to the adoption of the Code and the identified areas for development in the Annual Governance Statement (AGS).

**Equality Implications**

13. There are no discernible equality implications arising from the recommendations in this report.

**Human Right Implications**

14. There are no human rights implications arising from the recommendations in this report.

**Recommendation**

15. The Committee is asked to note this report.

**Background Papers**

Report to the Corporate Governance Committee 26 January 2024, CIPFA Financial Management Code 2022/23.

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7410&Ver=4>

**Circulation under the Local Issues Alert Procedure**

None

**Appendix**

Appendix A - Financial Management Code, self-assessment 2025/26

Appendix B – External Audit Recommendations, progress update

**Officers to Contact**

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**Leicestershire County Council**

**Assessment of Compliance with the CIPFA Financial Management Code – May 2025**

Financial Management Standard		Current Assessment	Areas for Improvement (where needed)
<b>CHAPTER 1 – The Responsibilities of the Chief Finance Officer and Leadership Team</b>			
<b>A</b>	The leadership team is able to demonstrate that the services provided by the authority provide value for money	<p><b>Compliant</b></p> <p>The Council reports on its performance regularly to the Corporate Management Team and in the Annual Delivery Report which summarises the work that the Council has undertaken over the last 12 months to progress its priorities set out in its Strategic Plan. A separate and related annual Performance Compendium sets out current comparative performance data using a wide range of performance measures. The compendium also includes information on the Council's low funding position, service pressures and risks.</p> <p>The annual delivery report and performance compendium is considered by the Cabinet, Scrutiny Commission and full Council. The latest report for 2024 was reported to the Council in December 2024.</p> <p>There is also a separate specific annual report by the Council's external auditor on value for money, the Annual Auditor's Report. The latest report for 2023/24 was reported to the Corporate Governance Committee in December 2024. The External Auditor reported no significant weaknesses in the areas of financial sustainability, governance and improving economy, efficiency and effectiveness. They summarised that the Council has a good track record of sound financial management and has arrangements in place to identify and manage risk. For the Council to make further improvements eight recommendations were made.</p>	Continue to action recommendations made by the external auditor

<p><b>B</b></p>	<p>The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government (2016)</p> <p><b>Principle 1:</b> The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest.</p> <p><b>Principle 2:</b> The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy.</p> <p><b>Principle 3:</b> The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively.</p> <p><b>Principle 4:</b> The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.</p>	<p><b>Compliant</b></p> <p>The CFO is a member of the Corporate Management Team and is actively involved in helping to shape and deliver the County Council's Strategic Plan and Medium Term Financial Strategy (MTFS) as well as ensuring there are sufficient resources to deliver the strategies. All significant investment decisions are subject to scrutiny by the CFO and are challenged where the project is not aligned to the strategic vision of the Council. Decisions are taken in line with the Council's scheme of delegation or referred to the Cabinet for consideration where appropriate.</p> <p>As part of the MTFS, the CFO produces a number of financial strategies including the Annual Treasury Management strategy, the Capital strategy, the Investing in Leicestershire Programme strategy, the Reserves policy and Risk Management &amp; Insurance Policies. The authority also has access to external technical experts including treasury management advice from LINK Asset Services, pension fund actuarial advice from Hymans Robertson LLP and insurance advice from its brokers Marsh Ltd. All Cabinet committee reports include a Resource Implications section that allows the CFO to ensure financial implications and risks are fully communicated and considered by members.</p> <p>Strategic Finance Managers (Business Partner Team Managers) are members of department management teams. They support and challenge as appropriate when departments are considering matters that may have a financial bearing for the Council. The Council also provides financial training to all budget managers and budget monitors to ensure they have the skills necessary to carry out their role effectively. Informal challenge is provided through meetings between members and chief officers, with formal challenge through the Scrutiny process of the MTFS.</p> <p>The CFO is supported by a highly skilled team which include professionally qualified accountants and technician qualified (AAT) accountants. Finance staff are encouraged to attend technical training</p>	
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	<p><b>Principle 5:</b> The CFO in a local authority must be professionally qualified and suitably experienced.</p>	<p>as required to meet Continued Professional Development requirements.</p> <p>The CFO is a professionally qualified accountant with over 15 years of experience in local government finance as well as maintaining CPD compliance.</p>	
<b>CHAPTER 2 – Governance and Financial Management Style</b>			
<b>C</b>	<p>The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control</p>	<p><b>Compliant</b></p> <p>The authority has in place a documented Constitution that sets out how it operates, how decisions are made and how the authority ensures that its activities are appropriate, transparent and accountable to local people.</p> <p>The authority has in place a formal governance structure that is appropriate for the way in which it operates. This includes relevant committees and reporting lines, terms of references and conduct, including provision for scrutiny of decisions taken.</p> <p>The authority has in place a formal scheme of delegation, which sets out which individuals or committees are responsible to make which decisions.</p> <p>The Internal Audit Service is a key part of the Council's assurance framework. The authority ensures that the Head of Internal Audit Service (HoIAS) is afforded with the necessary support and resource to be able to fulfil their role effectively, in line with the responsibilities set out in the Public Sector Internal Audit Standards (2017)<sup>1</sup> and the CIPFA Statement on the Role of the Head of Internal Audit (2019).  <sup>1</sup> Replaced with effect from 1 April 2025 by the Global Internal Audit Standards in the UK Public Sector (GIAS/UKPS).</p> <p>A self-assessment of conformance to the CIPFA Statement on the Role of the Head of Internal Audit (2019) is conducted annually. An external quality assessment (EQA) was conducted in 2024 with an outcome of 'generally conforms' (the top rating).</p> <p>Internal audit works to an agreed plan, which is based on a robust analysis of the authority's governance, risk management and internal</p>	<p>Continue to implement EQA improvement recommendations and the GIAS/UKPS.</p>

		<p>control arrangements, the environment within which the authority operates and the risks and challenges that it faces. Internal audit reports to the Corporate Governance Committee.</p> <p>The authority has in place a robust approach to the identification, assessment and management of risks impacting on the achievement of its objectives and to the delivery of services. Responsibility for the management of individual risks is allocated clearly. The status of significant risks and their management is reported regularly to the leadership team and onwards to the Corporate Governance Committee along with more detailed focus on specific risks identified in conjunction with the Committee chair.</p> <p>The external auditor will attend and provide regular reports and updates to the Corporate Governance Committee.</p> <p>The authority has formal codes of conduct for officers and members. The authority maintains an up-to-date register of interests for all senior officers and members.</p> <p>The Head of Internal Audit Service oversees the development and preparation of the Council's Annual Governance Statement (AGS) and its Local Code of Corporate Governance. Chief Officers and certain corporate functions complete an annual return on their departments' governance arrangements and any areas for improvement. This is then collated into the AGS which is reviewed by a 'governance group' before being signed by the Chief Executive and the Leader of the Council and submitted with the annual financial statements. The External Auditor reviews the AGS.</p>	<p>Arrange an independent review of the Council's risk management arrangements</p>
<b>D</b>	<p>The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government:</p>	<p><b>Compliant</b></p> <p>The authority complies with the requirements of the CIPFA/SOLACE Delivering Good Governance in Local Government, which contains 7 principles.</p> <p>A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.</p> <p>B: Ensuring openness and comprehensive stakeholder engagement.</p>	

		<p>C: Defining outcomes in terms of sustainable economic, social, and environmental benefits.</p> <p>D: Determining the interventions necessary to optimise the achievement of the intended outcomes.</p> <p>E: Developing the entity's capacity, including the capability of its leadership and the individuals within it.</p> <p>F: Managing risks and performance through robust internal control and strong public financial management.</p> <p>G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability.</p> <p>Reporting on compliance, effectiveness and improvement is undertaken within the authority's Annual Governance Statement published alongside the audited financial statements. The most recent update was completed in May 2025 and was reported to the 23 June Corporate Governance Committee. This shows that most requirements are met with some minor improvements required.</p>	
<b>E</b>	The financial management style of the authority supports financial sustainability	<p><b>Compliant</b></p> <p>Financial sustainability is about the ability of the authority to continue to fund its activities not just in the present, but also in an increasingly uncertain future. Financial sustainability is a key fundamental of the 4 year MTFS, which is refreshed each year. The MTFS 2025-29 includes the four year revenue and capital programmes. This includes realistic estimates of funding available and budget growth required over the medium term and appropriate levels of contingencies and reserves required based on an assessment of risks and uncertainties it faces.</p> <p>The authority has an active and realistic savings programme. This allows it to manage savings in a controlled way and avoid the need to implement savings at short notice. The transformation unit supports the identification, delivery and monitoring of savings plans. The MTFS process also means that the Council is able to understand longer term risks and plan a response to those appropriately.</p> <p>All budgets are assigned to budget managers who are required to monitor their budgets actively on a monthly basis. All budget managers are given access to financial information to enable them to do this. Budget managers forecast and explain significant variances from the budget. Finance provide support through business partners and the</p>	<p>Opportunities to compare LCCs approach to other organisations are likely to arise, for example the update of the CIPFA resilience index.</p>

		<p>financial analysis and information team. Budget variances are managed both for their in year impact and where appropriate any ongoing impact in the refresh of the MTFS. Budget monitoring reports are taken regularly to the Cabinet and Scrutiny, as well as the outturn report.</p> <p>The external auditor reviews the financial statements and gives an opinion on the financial sustainability of the new MTFS on the Council. No issues were reported in the most recent external audit.</p>	
<b>CHAPTER 3 – Medium to Long Term Financial Management</b>			
<b>F</b>	The authority has carried out a credible and transparent financial resilience assessment	<p><b>Compliant</b></p> <p>A well-established MTFS process allows for the early identification of issues including the long term sustainability of funding. The MTFS includes prudent modelling of estimates of income and funding sources, service drivers and growth, risks and contingencies. The MTFS is contributed to, and agreed, by the senior leadership team before approval by the County Council.</p> <p>Savings programmes include a robust business case process reviewed by the finance and transformation teams. Approved savings are then monitored closely for delivery through departmental DMTs and corporately by the transformation Delivery Board. The Council has a good track record of planning savings early and delivering approved MTFS savings.</p> <p>The MTFS 2025-29 is a four year plan covering the revenue and capital programmes. It includes a number of strategies mentioned earlier in this assessment, as recommended by the FM Code.</p> <p>The authority has also used the CIPFA Financial Resilience Index as part of its assessment of resilience and is in the lowest risk categories for the majority of the indices used.</p> <p>The authority has undertaken a review of its Transformation Programme during 2024/25 to ensure it is fit for purpose and to identify further opportunities to support financial sustainability. The Council has also used external expertise to support this where required.</p>	

<b>G</b>	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	<p><b>Compliant</b></p> <p>The authority has a Strategic Plan 2022-26 that sets out its aim and vision for the future. The four year MTFS, which is updated annually, supports the Strategic Plan and sets out the medium term financial position of the authority, including various strategies and policies that explain how risks are managed over the medium/ longer term.</p> <p>The authority retains appropriate reserve balances, general fund and earmarked funds (e.g. budget equalisation and insurance reserves) to manage risks over the medium term. There is a specific policy on reserve balances which is agreed as part of the MTFS.</p> <p>A review of the council's financial resilience is reported annually as part of the MTFS budget setting reports between December and February.</p> <p>The capital programme covers four years with the associated costs reported as part of the MTFS. The ongoing costs of capital investment decisions beyond the MTFS period are reported as part of the capital programme within the MTFS.</p>	
<b>H</b>	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	<p><b>Compliant</b></p> <p>The authority complies with the CIPFA Prudential Code for Capital Finance on an annual basis as part of the MTFS through:</p> <ul style="list-style-type: none"> <li>• a set of Prudential Indicators</li> <li>• an Annual Treasury Management Strategy including an Annual Investment Strategy</li> <li>• an annual Minimum Revenue Provision (MRP) Policy Statement;</li> <li>• a Capital Strategy including non-financial and treasury management investments; and</li> <li>• a Prudent, sustainable, affordable and value for money Capital Programme including capital expenditure and capital financing</li> </ul> <p>Performance is regularly reported to Corporate Governance Committee to show that the Council has operated within the approved Capital and Treasury Prudential Indicators and is compliant with the County Council's Treasury Management Practices.</p>	

I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	<p><b>Compliant/ Some Improvement needed</b></p> <p>The authority has a well-established 4 year MTFS that is refreshed annually for the plans to be rebased for the forthcoming budget setting year to reflect the latest position in terms of funding, cost pressures, investments and savings. The latest MTFS 2025-29 is informed by corporate and departmental service plans as part of the corporate service planning process.</p> <p>The MTFS includes the Capital Strategy which links to the asset management plan that seeks to ensure that its property, plant and equipment and infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims.</p> <p>Where additional budget is required (Growth) the MTFS process ensures that these amounts are reviewed and challenged to ensure they are realistic and sufficient to ensure that key requirements of services are met. This involves CMT, DMT and strategic finance manager review, corporate finance review and member and officer review through meetings between members and chief officers, and member scrutiny as part of the MTFS.</p> <p>The provisional outturn for 2024/25 is being reported to the Cabinet in June 2025. Overall, there is a net revenue underspend of £8.8m that will be proposed to be added to the Transformation reserve, to provide funding for the costs of work to support the development of savings to mitigate the projected shortfalls in future years' funding, severance costs and initial costs relating to Local Government Reorganisation. The priorities for the Transformation Programme which will require additional support are:</p> <ul style="list-style-type: none"> <li>• A review of Third Party Spend to identify savings opportunities, either from reduced spend or rationalizing suppliers, or contract negotiations</li> <li>• Reviewing the current operating models for Business Support and Customer Services to improve efficiency across the organization</li> <li>• Undertaking a series of service reviews to identify opportunities to deliver services differently</li> <li>• Reviewing the current operating model for the Transformation Unit to ensure savings delivery is maximized at an increased pace.</li> </ul>	<p>Several of the infrastructure schemes in the County have implications beyond the usual 4-year planning horizon. For example, development of schemes in phases and retrospective claiming of section 106 funding. The planning processes needs to continually evolve to respond to this change.</p>
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		The MTFS 2025-29 is balanced for 2025/26 with financial gaps estimated in later years due to the pressures on services and County Council funding. New savings initiatives and additional funding will be required. A pipeline of initiatives is reported alongside the MTFS, as savings under development.	
<b>CHAPTER 4 – The Annual Budget</b>			
<b>J</b>	The authority complies with its statutory obligations in respect of the budget setting process	<p><b>Compliant</b></p> <p>The Council is required by statute to set and agree an income and expenditure budget prior to the beginning of the financial year to which the budget relates.</p> <p>The Local Government Act 2000 requires the full council to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand.</p> <p>The Council set a balanced budget for 2025/26 approved by the full Council in February 2025 as part of its MTFS process.</p>	
<b>K</b>	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves	<p><b>Compliant</b></p> <p>The MTFS includes a statement in relation to the robustness of estimates made and on the adequacy of the proposed financial reserves.</p> <p>As part of the MTFS 2025-29, approved by the Council in February 2025, the CFO reported that “having taken account of the overall control framework, budget provisions included to support the delivery of transformation, growth to reflect spending pressures, the inclusion of a contingency for MTFS risks and the earmarked reserves and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked reserves adequate”.</p>	
<b>CHAPTER 5 – Stakeholder Engagement and Business Cases</b>			

<b>L</b>	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	<p><b>Compliant</b></p> <p>Public consultations are undertaken for the MTFS proposals using a variety of methods to engage with stakeholders. The MTFS is published on the Council website and consultation exercises undertaken annually with stakeholders including members of the public, staff, councillors, parish and district councils and the business community within Leicestershire.</p> <p>Consultations include annual questionnaires. Stakeholder events with members of the public are undertaken periodically. An extensive public consultation took place in 2019 and detailed focus group sessions were undertaken in 2022. A detailed exercise is planned to be undertaken later in 2025 as part of plans to update the Councils Strategic Plan.</p> <p>A range of communications activity is used throughout the consultation period to encourage people to have their say, including: online content, intranet stories, Yammer posts, media releases (X, Facebook and LinkedIn posts), Leicestershire Matters, direct emails to staff and businesses as well as paper copies of appropriate information sent out where requested. This generated engagement across social media platforms and wide-ranging press coverage, helping to generate more responses</p> <p>Member seminars are held on a regular basis so that all Members are given opportunities to understand and challenge the budget and assumptions.</p> <p>Public Statutory consultations are also undertaken for specific developments/service changes. There is a requirement to undertake more active involvement of service users, stakeholders and partners in decisions about budgets, services, resource allocation and taxes at the earliest stage of preparing plans.</p>	
<b>M</b>	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	<p><b>Compliant/ some improvement needed</b></p> <p>The Council uses standard business case templates for development and management of projects and savings programmes.</p> <p>All business cases are reviewed by the relevant departmental strategic finance managers and transformation unit leads.</p>	Consistently undertake post implementation review for the more significant capital projects; outcomes,



		<p>The County Council has a very good record of starting savings plans early and delivering planned savings.</p> <p>Significant investment decisions are subject to a specific appraisal to assess the level of return on investment anticipated over a suitable time frame and taken to the Cabinet for approval, either as part of the MTFS or through specific reports.</p> <p>An area for improvement is to ensure that significant capital schemes are consistently subject to a post implementation review to ensure if there are any lessons to be learnt.</p>	<p>timelines, budget. Process to be reviewed during 2025/26.</p>
<b>CHAPTER 6 – Monitoring Performance</b>			
<b>N</b>	<p>The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability</p>	<p><b>Compliant</b></p> <p>Monthly budget monitoring is undertaken by budget managers and agreed with strategic managers before a review and challenge by the finance team and the relevant strategic finance manager. Corporate finance review central items. This covers completeness, accuracy and explanation of material variances and actions being taken where appropriate. The position is reported to the relevant departmental management teams and lead members. Overall summary reports are then compiled by corporate finance and reported to the Cabinet and Scrutiny Commission, at least quarterly every year and at the outturn.</p> <p>Reviews are carried out on areas of significant variances of overspend so that recovery plans can be formulated. Some areas of particular demand pressure, e.g. SEND, are the subject of additional specific reviews.</p> <p>Risks are updated and reported within the monitoring reports and how the risks are being managed.</p> <p>Alongside the savings work in the key social care and SEND areas operational reporting is developed to ensure that the teams responsible have the viability required to manage their services in a holistic way.</p>	

O	<p>The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability</p>	<p><b>Compliant/ some improvement needed</b></p> <p>The balance sheet comprises assets and liabilities of the authority and usable and unusable reserves ( the latter being those that cannot be used to provide services - unrealised gains and losses and technical adjustment accounts to comply with accounting standards).</p> <p>The levels of usable reserves pose the most significant risk to the County Council upon its financial sustainability. Reserves are monitored at least quarterly, with regular updates to the Cabinet and Scrutiny Commission reported throughout the year. This includes the strategy on the levels of reserves and what reserves may be used for. The updates also include the current position and forecast for the end of the current year and the next four years.</p> <p>Other key areas of the balance sheet for the County Council include property, plant and equipment (fixed assets), investments, debtors, creditors, long term borrowing, credit loss allowance (bad debts), and the net pension liability.</p> <p>The authority manages the balance sheet through:</p> <ul style="list-style-type: none"> <li>• Approved capital programmes, capitalisation policy, regular valuations by qualified professionals (Fixed Assets)</li> <li>• Treasury management policies and how the authority selects approved counterparties for its investments (Cash and Investments)</li> <li>• Credit control policies for trade debtors and how the authority pursues unpaid debts (Debtors)</li> <li>• Management of borrowing, including the setting of the authority's prudential indicators (Borrowing)</li> <li>• Estimation of the Pension Liability by a professional Actuary</li> <li>• Estimation of Insurance Liability funds by a professional Actuary</li> </ul> <p>Monitoring includes:</p> <ul style="list-style-type: none"> <li>• Financial performance and its impact on usable reserves</li> <li>• Monitoring of investment returns and the forecasting of future cash inflows</li> <li>• Regular review of aged debtors and of the actions being taken to secure recovery</li> </ul>	<p>Continue to ensure all balance sheet codes are monitored at least every quarter</p>
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		<ul style="list-style-type: none"> <li>• Forecasting of cash balances and of the authority's ability to pay amounts falling due</li> <li>• Monitoring of performance against the authority's prudential indicators</li> <li>• Assigned officers responsible for monitoring each balance sheet code. Some improvement is needed to ensure this happens for all codes every quarter.</li> </ul>	
<b>CHAPTER 7 – External Financial Reporting</b>			
<b>P</b>	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom	<p><b>Compliant</b></p> <p>The Statement of Accounts is prepared on an annual basis in accordance with the Accounts and Audit Regulations 2015, and the Code of Practice on Local Authority Accounting in the United Kingdom (the local authority accounting Code).</p> <p>This is stated within the Accounts, within the 'Statement of Responsibilities' and is signed by the Director of Corporate Resources (CFO).</p> <p>The County Council has consistently received an unqualified audit opinion from the external auditors. The latest opinion for 2023/24 was reported to the Corporate Governance Committee in January 2025 with an unqualified opinion. The draft accounts for 2024/25 are due to be produced by the statutory deadline of 30 June 2025. The accounts will then be subject to external audit with the audit opinion targeted to be reported by the end of 2025.</p>	Continue to action recommendations made by the external auditor
<b>Q</b>	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	<p><b>Compliant</b></p> <p>The outturn position is reported to the Cabinet and Scrutiny Commission. The report presents the significant variances to the approved budget with explanations of the reasons and where necessary actions being taken. Any key issues arising from the outturn figures are reflected in the budget and MTFS process.</p>	

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**Leicestershire County Council**  
**External Auditor Recommendations – update as at June 2025**

Area	Recommendation	Current Assessment
<b>Auditor's Annual Report 31 March 2024 – value for money arrangements (reported to CGC 6 December 2024)</b> <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4</a>		
Financial Sustainability	The Council should ensure that its financial governance framework remains robust in the face of ongoing pressures in the revenue budget. The Council should continue to perform regular reviews of the financial outlook to highlight any deterioration in the expected position, as well as continuing current work to identify areas of improvement.	<p>The position continues to be monitored closely through the four year MTFS budget that is refreshed each year, regular budget monitoring, the identification of new savings and other measures being taken to control future expenditure and maximise income.</p> <p>Further savings options are being identified alongside the continuation of financial controls to ensure limited resources are focussed on delivering essential services. External resources will be used where required to provide additional capacity or expertise.</p> <p><b>Status:</b> Ongoing</p>
Financial Sustainability	The Council should continue to work to identify savings so that the use of reserves to balance the revenue budget is minimised. When savings opportunities are identified, these should be converted to realisable savings as quickly as possible.	<p>The 2025-28 MTFS was updated for the latest known funding post the Local Government settlement. The Council set a balanced budget for 2025/26 with a contribution of £4.6m from reserves. The outturn for 2024/25 reported a net underspend of £8.8m.</p> <p><b>Status:</b> Completed for 2025/26</p>
Financial Sustainability	To reduce the annual deficit on the High Needs Block of the DSG and protect the Council's reserves, the Council should continue to work to identify opportunities to reduce the increasing demand for SEND provision as well as reduce the costs of SEND provision.	<p>The number of Education Health and care Plans in Leicestershire continues to rise, in line with national trends and has further accelerated since January 2025 (due to parental uncertainty regarding national changes to the SEND system), reaching an all-time high in May. The Transforming SEND and Inclusion Programme includes benefits of £51.8m across the MTFS through both reduced costs/cost avoidance</p>

		and increasing local authority SEN provision. A review of the programme is currently underway. <b>Status:</b> Ongoing
Governance Arrangements	To improve and strengthen the arrangements in place, the Council must ensure: <ul style="list-style-type: none"> <li>• The Chief Internal Auditor provides for CGC approval, a Three Year Internal Audit Strategy and Annual Internal Audit Plan documenting its Internal Audit Charter, which outlines the purpose, authority and responsibility of the internal audit activity.</li> <li>• Reporting to CGC provides clarity in terms of actual progress against the plan, identifies any slippage or changes to the plan and enables the CGC to provide appropriate approval.</li> <li>• Slippage is appropriately managed to enable the HOIA to provide a timely annual opinion and provide assurance that this does not expose the Council to prolonged or additional risk.</li> <li>• There is year end reporting of Fraud activity.</li> </ul>	<ul style="list-style-type: none"> <li>• Three-year Internal Audit Strategy: Progress delayed but in development with intention to report to CGC 19 September 2025</li> <li>• Annual Internal Audit Plan: Complete</li> <li>• IA Charter: Progress delayed but in development with intention to report to CGC 19 September 2025</li> <li>• Slippage will be appropriately managed – Complete. Slippage was reported to CGC 6 December 2024 &amp; 31 March 2025 and is now routine business as usual.</li> <li>• CGC to approve a fraud report at year end. Complete and on the agenda for CGC 23 June 2025</li> </ul> <b>Status:</b> Partially complete, full completion September 2025
Governance Arrangements	To enhance the decision making arrangements in place and provide further clarity to those charged with Governance, the Council should: <ul style="list-style-type: none"> <li>• Document on meeting agenda's what action should be taken by the Cabinet i.e. whether the paper requires a key decision to be made or is being presented for information and noting.</li> <li>• Ensure supporting overview reports also document whether the recommended action requires a key decision to be made.</li> </ul>	Agendas and reports for Cabinet meetings have been amended to clarify which agenda items are key decisions. <b>Status:</b> Complete
Governance Arrangements	As the Accountable Body, the Council must take a lead in ensuring that the formal governance documents required to support the Freeport (Members' Agreement, Articles of Association, Tax site Operator's Code of Conduct and undertaking, Occupier's Code of Conduct and undertaking, Accountable Body Agreement, Security agreement etc) are signed and agreed by all parties and presented for approval to the EMF Board meeting in November 2024.	The governance documents have now been signed, apart from the Accountable Body agreement which is expected to be signed by the East Midlands Freeport shortly. <b>Status:</b> Completion expected July 2025.
Improving Economy, Efficiency and Effectiveness	The Council needs to continue to progress the TSIL programme to ensure a sustained trajectory of improvement in the % of new EHCPs issued within 20 weeks, with a view to meeting compliance with the statutory deadlines, as set out in the SEND Code of Practice (2014).	Plans to reduce the backlog and issue EHCPs within 20 weeks are progressing well, although have recently been hindered by a significant increase in requests for new EHCPs each month since January - reaching an all-time high May. It is now anticipated that the backlog will be clear and all new EHCPs issued within 20 weeks by the end of August 25. However, the success in this area will result in costs being incurred in the HNB earlier.

		<b>Status:</b> Completion expected end of August 2025.
Improving Economy, Efficiency and Effectiveness	<p>The Council should continue the work it is undertaking to reduce the number of contract exceptions and extensions and ensure that any cultural or historical practise which does not promote or provide for robust, economical or effective processes is identified and rectified.</p> <p>To further improve oversight, we recommend that compliance reports are provided to CGC on a quarterly basis to provide assurance that new processes are positively impacting outcomes. In addition, reporting should include themes or departments etc to enable a targeted approach to accountability.</p>	<p>Governance improvements: All contract exceptions process through a Corporate Procurement Board for approval before being actioned, this allows a full review and scrutiny of the request before it is granted. The Contract Procedure Rules have been rewritten for the Procurement Act and includes the requirement for all Exceptions above threshold to have a lessons learnt, mitigations and action plan completed which may require further clarification in the form of a panel review by the Director of Corporate Resources and Director of Law and Governance.</p> <p><b>Status:</b> Complete.</p> <p>Process improvements: A target operating model review is being finalised for sign off with a proposed structure across the Council to improve processes and compliance with the public Contract Regulations and the Procurement Act.</p> <p><b>Status:</b> Partially complete, target operating model September 25.</p>
<b>External Audit Findings Report 2023/24 (Accounts)</b> <b>County Council - reported to CGC 24 January 2025</b> <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7959&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7959&amp;Ver=4</a>		
Property Plant and Equipment	Management provided us with a report downloaded directly from the fixed asset register (FAR) with the revalued assets and valuation basis. From review we identified multiple changes in valuation basis compared to prior year. Subsequently from discussions it was identified that the valuation basis had been inputted incorrectly within the FAR and the valuation basis as per the valuation report was correct with prior year valuations. We recommend that the council ensures that the valuation basis as per the FAR reconciles to the valuation report to ensure consistency and accuracy of the reports provided.	<p>Completed in 2024/25.</p> <p><b>Status:</b> Complete</p>
IFRS16 (Leases)	IFRS16 (Leases) is due to be fully implemented in 2024/25 following previous deferrals by CIPFA. In Note 3 of the accounts the Council stated they are satisfied that this standard will have no material impact on the accounts. The number and impact of any peppercorn leases is currently being assessed. The Council needs to ensure that it is fully prepared for this significant	<p>Being implemented as part of the 2024/25 year end accounts.</p> <p><b>Status:</b> Underway</p>

	change. The Council should ensure that it is fully prepared for implementation of IFRS16 in the 2024/25 financial year.	
Property Plant and Equipment	The Council revalue assets at of 1 October. This may lead to material differences at reporting date due to the fluctuations in market prices. We recommend the council revalue assets at year end (31st March) rather than in year.	Agreed to implement from 31 March 2026, for the 2025/26 valuation exercise.  <b>Status:</b> Underway
Property Plant and Equipment	From review of the fixed asset register and testing completed on Nil NBV to the asset register assets we found an issue of an asset not in use but still within the register. We recommend the council reviews the nil NBV assets and ensure all necessary adjustments are made to the asset register.	Updated as part of the 2024/25 accounts closedown.  <b>Status:</b> Complete
Income and Expenditure transactions	Income and expenditure listings provided to us by the Council had a large number of debits and credits in the transaction populations. We recommended the Council should reduce the level of audit input in our transaction testing by taking action to "cleanse" populations to ensure we are only reviewing transactions that directly impact the financial statements.	The Council uses a fully integrated modern cloud based ERP system with many integrated Oracle modules, and external feeder systems posting at detailed level, to manage its various and complex service areas. This supports detailed budget monitoring, and reconciliation of its balance sheet and system control accounts. Payroll control accounts have reduced significantly. An overall assessment of transaction lines compared to other similar local authorities shows current levels of transactions to be of a similar number.  <b>Status:</b> Complete, subject to any further comments during the 2024/25 audit.
Journal Approval	We recommended in prior year audits that the Council have no authorisation or control process in relation to authorisation of Journals below £20,000. We recommended the Council should ensure that all Journals are reviewed and approved by an appropriate independent officer.	The Council does have authorization and control processes in relation to all journals. Access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only. Additional processes have been implemented in 2025/26 to strengthen the evidence supporting the submission of journals before they are entered in the system. The overall numbers of journals below £20,000 are low. Consideration also has to be given to the level of resources required vs the risks, and that there are other controls, such as budget monitoring that mitigate the risks. Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process.  <b>Status:</b> Complete, subject to any further comments during the 2024/25 audit



<b>External Audit Findings Report 2023/24 (Accounts)</b> <b>Pension Fund - reported to CGC 6 December 2024</b> <a href="https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4">https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&amp;MId=7724&amp;Ver=4</a>		
Cash Floats	<p>Management should ensure that:</p> <ul style="list-style-type: none"> <li>Cash float accounts are updated in a timely manner and expenses are recognised in the correct period.</li> <li>Journals processed in the system should have appropriate supporting documentation available at the time of posting which is then retained for audit purposes.</li> <li>Suspense accounts are reviewed and cleared in a timely manner.</li> </ul>	<p>The Council has worked with Colliers Global to agree additional monthly information. As a result, the Council are now undertaking a full monthly reconciliation of the cash float balance, including journal postings and clearance of suspense balances, with full documentation.</p> <p><b>Status:</b> Complete</p>
Valuation of level 3 investments	<p>Valuation of level 3 investments (financial assets)</p> <p>Management relies on the valuation and information provided by the investment managers in the preparation of the net asset statement. The audited financial statements of investment funds provide additional assurance that the valuation of the fund is not materially misstated if an unmodified opinion is issued, provides information on the fair value hierarchy information and if the valuation is being done in accordance with the appropriate reporting framework. Management should liaise with the fund managers to provide the audited financial statements where they are produced. In the absence of the audited financial statements management should obtain additional information such as the Type 2 controls report to gain comfort that the controls in place are designed and operating effectively.</p>	<p>The Council continues to liaise with investment managers to acquire copies of audited financial statements, Type 2 SOC reports, and/or other documentation as appropriate to support assurance in the valuations and controls of their fund(s).</p> <p><b>Status:</b> Ongoing</p>
Journal Approval	<p>Journal controls-lack of segregation of duties.</p> <p>The journal entries process does not require approval for entering journals below £20 000. Failure to have a separate preparer and approver for journals could promote fraudulent financial reporting though we note this would require the entering of multiple journal entries below £20,000 for the impact to be material. We note that journal entries entered during the year which were below £20,000 had a combined value of £129,300.</p> <p><b>Recommendation</b></p> <p>The Pension fund should ensure that all journals are not self-approved. by the preparer.</p> <p>We have identified that all journals below £20,000 do not require authorisation. We have noted that the journals are restricted to be posted by specific finance officers in the Technical Accounting team which has been confirmed by our testing.</p>	<p>The Council does have authorization and control processes in relation to all journals. Access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only. Additional processes have been implemented in 2025/26 to strengthen the evidence supporting the submission of journals before they are entered in the system. The overall numbers of journals below £20,000 are low. Consideration also has to be given to the level of resources required vs the risks, and that there are other controls, such as budget monitoring that mitigate the risks. Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process.</p> <p><b>Status:</b> Complete, subject to any further comments during the 2024/25 audit</p>

<p>Internal controls reports and bridging letters.</p>	<p>Our audit procedures for requires us to review Type 2 service organisations reports where these are available. The value of investments for which we were unable to obtain the service organisation during the period under review was £416.16million. The following investment managers did not provide the reports:  KKR &amp; Co  Colliers Capital UK  LGPS Central- provided a Type 1 report.  DTZ did not provide a bridge letter covering the period 01 Nov 2023 to 31 March 2024 (second year).  We have obtained sufficient assurance through the performing alternative procedures such as review of audited accounts or review of cashflow movements.</p> <p>Type 2 service organisation reports enable the Pension fund to have sufficient oversight of the controls at the investment managers and that these controls are designed and operating effectively. The bridge letter provides confirmation that there have been no changes in the internal control environment from the service organisation audit report date to the Pension's fund year end date. Management should liaise with investment managers to provide the type 2 reports and bridge letters.</p>	<p>The Council continues to liaise with investment managers to obtain assurances over their controls, including Type 2SOC reports and bridging letters wherever possible. It is our present understanding that LGPS Central expects to produce a Type 2 report for 2024/25 and in future years.</p> <p><b>Status:</b> Ongoing</p>
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## **CORPORATE GOVERNANCE COMMITTEE – 23<sup>rd</sup> JUNE 2025**

### **ANNUAL REPORT ON THE OPERATIONS OF CONTRACT PROCEDURE RULES**

### **JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE DIRECTOR OF LAW AND GOVERNANCE**

#### **Purpose of the Report**

1. The purpose of this report is to report on the operation of the Contract Procedure Rules between 1<sup>st</sup> April 2024 and 31<sup>st</sup> March 2025.

#### **Background**

2. The Contract Procedure Rules are the Council's formal rules to govern how it buys goods, services and works. They are included as Part 4G of the Council's Constitution and fully define the standards, processes and thresholds that must be followed to ensure procurement is legal, fair, transparent and delivers value for money.
3. Rule 8 (Public Contract Regulations 2015) (PCR2015) and Rule 40 (Procurement Act) (PA23) detail the requirement for Annual Reporting of the Council's Contract Procedure Rules. The Annual reporting requirements stipulate that the Director of Corporate Resources, in consultation with the Director of Law and Governance, shall at least once in each financial year submit a report to the Corporate Governance Committee in relation to the operation of these Rules. This includes details of approved exceptions to these Rules and approved extensions or modifications to a contract where this has not been provided for in the original contract.
4. The Contract Procedure Rules (Procurement Act) (PA23) were written to align with the Procurement Act 2023 and went through full Council approval in February 2025, ready for the implementation of the new regulations on 24<sup>th</sup> February 2025.

#### **Approved Exceptions to the Rules**

5. Between 1 April 2024 and 31 March 2025, seventy-five approved exceptions, which are allowed for under Rule 6 (PCR2015) and Rule 57 (PA23) of the Contract Procedure Rules (CPRs) have been recorded in the Exceptions Logs maintained by the Council's Commissioning Support Unit and Chief Officers. Approved exceptions under Rule 6a (PCR2015) are not included in the reported figures as they are for sole supplier contracts under the Public Contract

Regulations 2015. Full details of the exceptions are set out in Appendix A attached to this report. Appendix B provides details on Rule 6 and 57.

A comparative table of approved exceptions over the last 3 years is provided in Table 1 below:

<b>Table 1: Comparison of Approved Exceptions</b>			
Period	Number of Approved Exceptions	Total Value of Approved Exceptions	No. of Exceptions above relevant UK Threshold
1 April 2024 to 31 March 2025	75	£7.9m	2
1 April 2023 to 31 March 2024 Reporting timelines changed to align with financial year.	88	£9.9m	8
1 July 2022 to 30 June 2023	97	£7.4m	5
1 July 2021 to 30 June 2022	70	£20.2	3

6. From Table 1 in comparison to the previous year there has been a reduction in the number of exceptions granted.
7. The main improvement is that only two of the exceptions granted were above threshold; above threshold is fully regulated by the Public Contract Regulations 2015 and the Procurement Act 2023. This is a positive reduction on previous years. The approval of the above threshold exceptions was given by the Cabinet, as detailed in Appendix A to the report.
8. The Council established a Corporate Procurement Board in January 2024 which must approve all exceptions; this increased visibility and allows for greater scrutiny. The Council has also improved its use of procurement pipelines so that closer attention is given to contracts that may be nearing their end date or value. These actions, in conjunction with regular training, communication and the procurement toolkit have reduced the number of exceptions that have been required over the last 12 months and will continue to do so.
9. Improving forecasting through pipelines and early engagement with the procurement team will ensure avoidable exceptions are reduced.

#### **Approved Contract Extensions and Modifications where no provision in the Contract**

10. During the reporting period 1 April 2024 to 31 March 2025, in compliance with Rule 30(c) and Rule 30(e) (PCR2015) and Rule 46(b) and 48(k) (PA23) of the CPRs there were twenty-one contracts either where there was no provision

within the original contract for an extension or where the proposed contract variation required such approval. Details of these are set out in Appendix A attached to this report. Appendix B provides details on Rule 30 (c)(e) and Rule and 46 (b) and 48 (k).

11. The increase in modifications where there was no provision in the original contract is mainly due to transitional compliance with the introduction of the Procurement Act in February 2025, to align with the Procurement Act requirements and timescales.

A comparative table of approved contract extensions and modifications over the last 3 years is provided in Table 2 below:

<b>Table 2: Comparison of Approved Contract Extensions and Modifications</b>			
Reporting Period	Number of Approved Modifications Or Extensions	Total Value of Contracts (including value of approved extensions/modifications)	No of Extensions/ Modifications above relevant UK Threshold
1 April 2024 to 31 March 2025	21	£72m	10
1 April 2023 to 31 March 2024 Reporting timelines changed to align with financial year.	11	£125m*	2
1 July 2022 to 30 June 2023	13	£26m*	6
1 July 2020 to 30 June 2021	7	£26.3m*	2

\* Includes value of contracts not caught by the full Public Contracts Regulations regime.

12. Chief Officers continue to collectively review all contract exceptions, extensions and modifications on a quarterly basis, as part of corporate performance monitoring.

### **Approved Provider Selection Regime (PSR) procurements**

13. The provider selection regime (PSR) replaced aspects of the procurement regulations for health services in January 2024. All organisations must include information about procurement decisions made under PSR in their annual reporting.
14. During the reporting period 1<sup>st</sup> April 2024 to 31<sup>st</sup> March 2025 there were eleven contracts awarded under PSR. One using process A, three using process B,

five using process C and two under the competitive procedure. Details of these are set out in Appendix A of this report.

### **Future reporting arrangements**

15. The future reports on the operation of the Contract Procedure Rules will remain aligned with the financial year (1<sup>st</sup> April – 31<sup>st</sup> March).
16. A further report to the Corporate Governance Committee will be presented every January to allow for capture of annual changes and updates to the Contract Procedure Rules.

### **Equality Implications**

17. The Rules ensure that all potential suppliers and suppliers receive equal treatment when bidding for contracts.

### **Human Rights Implications**

18. The Rules ensure that all procurements consider human right implications before commencing. There are no human rights implications for this report.

### **Recommendations**

19. It is recommended that the operation of the Contract Procedure Rules between 1<sup>st</sup> April 2024 and 31<sup>st</sup> March 2025 be noted.

### **Background Papers**

The Constitution of Leicestershire County Council

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1187&MId=7661&Ver=4&Info=1>

### **Circulation under the Local Issues Alert Procedure**

None

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## **Appendices**

Appendix A - Details of approved Exceptions and Contract Extensions/ Modifications  
(April 2024 – March 2025).

Appendix B – Details of the applicable Rules in this report.

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Fiscal Year	Quarter	Contract title	Department	Applicable Contract Procedure Rule	Value	Applicable Procurement Regulation	Additional Detail
Rule 6/ 57- Above threshold							
Yr24-25	Q2(1st Jul-30th Sep)	Agency Cover for Provision of Qualified Social Workers	Children & Family Services	6(e)	£1,603,594.91	PCR 2015	Item 388 - <a href="https://democracy.leics.gov.uk/eListDocuments.aspx?Cid=135&amp;Mid=7510">https://democracy.leics.gov.uk/eListDocuments.aspx?Cid=135&amp;Mid=7510</a>
Yr24-25	Q3(1st Oct-31st Dec)	Temporary Staffing Supply	Adults & Communities	6(e)	£1,400,000.00	PCR 2015	
Rule 6/ 57 - Below Threshold							
Yr24-25	Q1(1st Apr-30th Jun)	Museum Collections Electronic Catalogue	Adults & Communities	6(b)	£80,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Under 16 free bus travel	Environment & Transport	6(e)	£35,185.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Recycle right	Environment & Transport	6(e)	£20,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Provision of Education Psychologist Locums	Children & Family Services	6(e)	£801,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	River Mease FAS Phase 1 Delivery	Environment & Transport	6(e)	£75,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Ashby Canal Remediation - Badger Activity Mitigation	Environment & Transport	6(e)	£120,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Safe Accommodation for Victims of Domestic Abuse Framework	Children & Family Services	6(b)	£70,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	CIC Team Agency Support Workers	Children & Family Services	6(e)	£46,912.50	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Pilot to move forward with EP support on EHCPs	Children & Family Services	6(e)	£33,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	LLR Children's Procedures Website	Children & Family Services	6(d)	£18,800.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	FM - Janitorial Services	Corporate Resources	6(e)	£150,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Facilities Management	Corporate Resources	6(b)	£178,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Placement Service	Children's and Families	6(e)	£46,912.50	PCR 2015	
		Compulsory Competence Training for Education Visits Co-ordinators and Visit Leaders for LA Maintained Schools and Academies					
Yr24-25	Q1(1st Apr-30th Jun)		Corporate Resources	6(e)	£50,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Renewal of FME Contract	Corporate Resources	6(b)	£20,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	A Roads to Zebras	Environment and Transport	6(e)	£690.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Supply & Fit Engine replacement 3171	Environment and Transport	6(b)	£30,143.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Hire of 1.8t Tipper, ARB Vehicle hire	Environment and Transport	6(b)	£131,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Food for Life programme	Public Health	6(b)	£140,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Interim Head of Strategic Property	Corporate Resources	6(d)	£90,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Bosworth Battlefield Living History Learning Facilitators	Adults and Communities	6(e)	£17,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Social Care & Education Ltd - PALCC002634	Adults and Communities	6(d)	£14,000.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	School Partnership Programme	Children & Family Services	6(e)	£58,000.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Agency Support Workers (Charnwood)	Children & Family Services	6(e)	£29,225.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	RapidAir Software License Renewal	Environment & Transport	6(e)	£20,000.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	E&T Performance Management System Procurement Project	Environment & Transport	6(e)	£20,793.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Infodrainage 2025 Commercial New Single User ELD Annual subscription	Environment & Transport	6(e)	£3,640.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Trusted Assessors	Adults & Communities	6(e)	£147,385.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Agency Cover for Provision of Qualified Social Workers	Children & Family Services	6(e)	£25,869.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	LLR Children's Procedures Website	Children & Family Services	6(d)	£18,800.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Breedon Flood Alleviation Scheme	Environment and Transport	6(e)	£130,000.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Adobe Licences Subscription Renewal	Corporate Resources	6(e)	£5,698.32	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Annual Web Hosting Charges	Corporate Resources	6(e)	£1,150.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Supply of Light Catering Equipment	Corporate Resources	6(e)	£50,000.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Planning Ecology Consultancy Support	Chief Executives	6(e)	£29,580.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Mobile Phone Contract/Mobile Phone Contract	Adults & Communities	6(e)	£46,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Analysis of home care across Leicestershire	Adults & Communities	6(e)	£29,999.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Speedier Discharge Grant for Carers	Adults & Communities	6(e)	£126,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Ecology consultants	Chief Executives	6(e)	£23,800.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	School Counselling for children/School Counselling for Children	Childrens and Family Service	6(e)	£64,460.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Belgium Tour 2025	Childrens and Family Service	6(e)	£50,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Saturday Morning Orchestral Venue Hire	Childrens and Family Service	6(e)	£47,600.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Advice & Information provided by LEARN SEND Hub	Childrens and Family Service	6(e)	£36,800.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Car benefit scheme	Corporate Resources	6(e)	£88,384.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Sandwich supplier	Corporate Resources	6(e)	£1,733.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Media Buyers	Corporate Resources	6(e)	£75,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	bread supplier	Corporate Resources	6(e)	£770.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Insurance Claims Handling Software - EVO Claim	Corporate Resources	6(e)	£5,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Century Theatre Cinderella Pantomime	Corporate Resources	6(e)	£25,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	For the supply of coffee pods and machine	Corporate Resources	6(e)	£30,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Saffron dietetic system	Corporate Resources	6(e)	£20,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Churchill Road Thurmaston	Environment & Transport	6(e)	£25,000.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Rent Payments for a Family (EK)	Children & Family Services	6(c)	£44,479.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Venue Hire to deliver Core Safeguarding Statutory Training	Children & Family Services	6(e)	£57,935.00	PCR 2015	
Yr24-25	Q3(1st Oct-31st Dec)	Short Breaks (Play & Leisure) and Domiciliary Care for Children with Disabilities - Off Contract Spend	Children & Family Services	6(c)	£320,468.00	PCR 2015	below light touch threshold.
Yr24-25	Q3(1st Oct-31st Dec)	Agency Staff - Tribunal Officers	Children & Family Services	6(e)	£282,693.00	PCR 2015	below light touch threshold.
		External legal advice in respect of civil claims against LCC. Combination of insured and uninsured civil claims and potential civil claims					
Yr24-25	Q3(1st Oct-31st Dec)		Corporate Resources	6(e)	£150,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Saturday morning orchestral venue hire for spring/ summer	Children & Family Services	6(e)	£70,600.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Short Breaks (Play & Leisure) and Domiciliary Care for Children with Disabilities - Off Contract Spend	Children & Family Services	6(civ)	£54,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	School Food supply of fresh bakery goods	Corporate Resources	6(e)	£5,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Cleaning materials	Corporate Resources	6(e)	£150,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Engagement of contractor	Corporate Resources	6(e)	£22,974.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Provision of Halal Meat	Corporate Resources	6(e)	£40,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Supply for fresh bakery good for Secondary Schools	Corporate Resources	6(e)	£1,879.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Water Procurement Water Procurement	Corporate Resources	6(e)	£93,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Woodland Trust Free Trees	Corporate Resources	57(a)	£35,505.00	PA 2023	
Yr24-25	Q4(1st Jan-31st Mar)	Witness reports	Environment & Transport	6(e)	£55,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	ITManage & ASD Annual Maintenance (CON00121)	Environment & Transport	6(e)	£6,321.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	MHA+ venue management and commissioning (hire)	Environment & Transport	6(e)	£38,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Oil system for fleet services workshop	Environment & Transport	6(e)	£54,000.00	PCR 2015	
Yr24-25	Q4(1st Jan-31st Mar)	Bridge Assessment Programme	Environment & Transport	57(a)	£5,065.00	PA 2023	
Yr24-25	Q4(1st Jan-31st Mar)	Witness reports	Environment & Transport	57(a)	£45,000.00	PA 2023	
Yr24-25	Q4(1st Jan-31st Mar)	Pharmacy Information System	Public Health	6(e)	£22,080.00	PCR 2015	
Exceptions approved under 6a -PCR2015							
Yr24-25	Q1(1st Apr-30th Jun)	Culture Leicestershire Website - Maintenance and Support Contract	Adults & Communities	6(a)	£8,000.00	PCR 2015	Only suitable supplier under the contract with police.
Yr24-25	Q1(1st Apr-30th Jun)	National Driver Offender Retraining Scheme (NDORS)	Environment & Transport	6(a)	£1,400,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	ICE accredited learning to support MHA+ PSP 4 and MSF 4 framework contracts	Environment & Transport	6(a)	£47,500.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	AV1 Robots for Children with Medical Needs Annual Subscription	Children & Family Services	6(a)	£51,360.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Purchasing of Equipment for Deaf Children and Young People	Children & Family Services	6(a)	£80,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Culture Leicestershire Website - Maintenance & Support Contract	Adults and Communities	6(a)	£8,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Ricoh Support and Maintenance and Click Charges	Corporate Resources	6(a)	£50,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Leicestershire CAN Demonstrator: Community Energy Pathways	Environment and Transport	6(a)	£177,000.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	NHT Public Satisfaction Survey Procurement	Environment and Transport	6(a)	£25,233.00	PCR 2015	
Yr24-25	Q1(1st Apr-30th Jun)	Copyright Licence	Chief Executives	6(a)	£150,000.00	PCR 2015	

Yr24-25	Q2(1st Jul-30th Sep)	ATFEST (Assistive Technology for Education Support Team) Equipment	Children & Family Services	6(a)	£177,000.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	School Service Season Tickets 24/25	Environment & Transport	6(a)	£100,000.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Demand Responsive Taxis (DRT)	Environment & Transport	6a(i)	£166,908.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Renewal of construction standards portal	Environment & Transport	6(a)	£127,245.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Zouch Replacement Bridge	Environment & Transport	6(a)	£800,257.00	PCR 2015	below works threshold
Yr24-25	Q2(1st Jul-30th Sep)	Procuring MS Office Licenses in MasterGov	Chief Executives	6(a)	£29,670.00	PCR 2015	
Yr23-24	Q2(1st Jul-30th Sep)	Healthy Place Making Portal (Website Hosting and Maintenance)	Public Health	6(a)	£1,970.00	PCR 2015	
Yr24-25	Q2(1st Jul-30th Sep)	Ricoh Support and Maintenance click charges	Corporate Resources	6(a)	£50,000.00	PCR 2015	
Yr23-24	Q2(1st Jul-30th Sep)	Mental Health First Aid training programme	Corporate Resources	6(a)	£32,000.00	PCR 2015	
Yr23-24	Q3(1st Oct-31st Dec)	Hosting and DBA Support	Chief Executives	6(a)	£9,500.00	PCR 2015	
Yr23-24	Q3(1st Oct-31st Dec)	Licences for Articulate 360 and VyondArticulate 360 and Vyond Licences	Corporate Resources	6(a)	£11,110.00	PCR 2015	
Yr23-26	Q3(1st Oct-31st Dec)	Churchill Road Thurmaston	Environment & Transport	6(a)	£9,375.00	PCR 2015	
Yr23-29	Q3(1st Oct-31st Dec)	Specialist Teaching Service, ATFEST (Assistive Technology for Education Support Team)	Children & Family Services	6(a)	£177,000.00	PCR 2015	
Yr23-32	Q4(1st Jan-31st Mar)	Independent social work assessment	Children & Family Services	6(a)	£166.00	PCR 2015	
Yr23-44	Q4(1st Jan-31st Mar)	NHT Public Satisfaction Survey Procurement	Environment & Transport	6(a)	£15,930.00	PCR 2015	
Yr23-47	Q4(1st Jan-31st Mar)	Fuel cards services - e-bunkered fuel	Environment & Transport	6(a)	£25,000.00	PCR 2015	

Fiscal Year	Quarter	Contract title	Department	Rule	Value	Additional Detail
Yr24-25	Q1(1st Apr-30th Jun)	The Collection & Treatment of plasterboard & other gypsum based material	Environment & Transport	30(c)	£11,000.00	
Yr24-25	Q1(1st Apr-30th Jun)	Servicing, Maintenance and Repair of the static, portable and roller compaction machines at 13 Recycling & Household Waste Sites (RHWS), Leicestershire	Environment & Transport	30(e)	£80,000.00	
Yr24-25	Q1(1st Apr-30th Jun)	Traffic Signals Maintenance (City SLA)	Environment and Transport	30(c)	£79,500.00	
Yr24-25	Q1(1st Apr-30th Jun)	Barclays Loan Repayment - Treasury Advice	Corporate Resources	30(c)	£25,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	Short Breaks (Play & Leisure) and Domiciliary Care for Children with Disabilities Framework	Children & Family Services	30(c)	£320,468.00	
Yr24-25	Q2(1st Jul-30th Sep)	The Supply of Street Lighting & Signing Equipment - 2021	Environment & Transport	30(c)	£650,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	Road Safety Education	Environment & Transport	30(c)	£320,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	AS11 MRN - Detailed Design Contract	Environment & Transport	30(c)	£82,861.00	
Yr24-25	Q2(1st Jul-30th Sep)	Supply of HVO (Hydrogenated Vegetable Oil).	Environment & Transport	30(c)	£90,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	Contract for the treatment of Dry Recyclates arising within Leicestershire	Environment and Transport	30(c)	£318,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	Best Interest Assessors Service	Adults and Communities	30(c)	£340,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	BCF Analyst Support - Midlands and LANCASHIRE CSU	Adults and Communities	30(c)	£39,948.00	
Yr24-25	Q2(1st Jul-30th Sep)	Multiply Programme	Adults and Communities	30(c)	£66,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	Core Contract for Residential Accommodation, Social Care and Healthcare Services.	Adults and Communities	30(c)	£54,000,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	LTS School Food contract	Corporate Resources	30(c)	£400,000.00	
Yr24-25	Q2(1st Jul-30th Sep)	Reasonable adjustment equipment and assessments	Corporate Resources	30(c)	£60,000.00	
Yr24-25	Q3(1st Oct-31st Dec)	Short Breaks (Play & Leisure) and Domiciliary Care for Children with Disabilities Framework	Children & Family Services	30(c)	£812,746.00	
Yr24-25	Q4(1st Jan-31st Mar)	Mental Health Recovery and Rehabilitation Service (MHRRS)	Adults & Communities	30(c)	£314,526.00	
Yr24-25	Q4(1st Jan-31st Mar)	Framework for Supply of Highways Civils Materials & Hand Tools	Environment & Transport	30(c)	£800,000.00	
Yr24-25	Q4(1st Jan-31st Mar)	Community Life Choices (CLC) Framework	Adults & Communities	30(c)	£14,000,000.00	
Yr24-25	Q4(1st Jan-31st Mar)	Zouch Bridge Replacement Project Permanent Works Design ApprovalZouch Bridge Replacement Project Permanent Works Design Approval	Environment & Transport	30(c)	£150,000.00	

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Fiscal Year	Quarter	Contract title	Department	Value	Additional Detail
<b>Process A</b>					
Yr24-25	Q1(1st Apr-30th Jun)	Post Mortem and Mortuary Service Contract for HM Coroner	Chief Executives	£400,000.00	
<b>Process B</b>					
Yr24-25	Q1(1st Apr-30th Jun)	Children and Family Psychological and Therapeutic Services Provider List	Childrens & Family Serices	£6,000,000.00	
Yr24-25	Q3(1st Oct-31st Dec)	Long Acting Reversible Contraception LARC Service	Public Health	£2,850,000.00	
Yr24-25	Q4(1st Jan-31st Mar)	Pharmacy Services 2025-2031	Public Health	£1,380,000.00	
<b>Process C</b>					
Yr24-25	Q1(1st Apr-30th Jun)	Short Term Reablement Bariatric Beds for Leicestershire and Leicester	Adults & Communities	£219,000.00	
Yr24-25	Q1(1st Apr-30th Jun)	Doctors Assessments for DoLS (\$12 Doctors)	Adults & Communities	£600,000.00	
Yr24-25	Q1(1st Apr-30th Jun)	Leicestershire Nutrition & Dietetic Services	Corporate Resources	£280,000.00	
Yr24-25	Q3(1st Oct-31st Dec)	Supporting Those Bereaved by Suicide - The Tomorrow Project	Public Health	£555,884.00	
Yr24-25	Q4(1st Jan-31st Mar)	Eye Care Vouchers	Corporate Resources	£57,500.00	
<b>Competitive Procedure</b>					
Yr24-25	Q1(1st Apr-30th Jun)	Integrated Sexual Health Service 2025	Public Health	£22,000,000.00	
Yr24-25	Q3(1st Oct-31st Dec)	Substance Misuse Testing	Corporate Resources	£825,000.00	

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### Contract Exceptions

6 a (PCR2015)	Direct purchase for supplies, materials, services or works which are available only as proprietary and/or patented articles, services or works from one contractor or supplier where there is no reasonably satisfactory alternative available in the UK and for repairs (to maintain warranties) to, or the supply of, parts of existing proprietary or patented articles or works, including machinery or plant.
6 b (PCR2015)	Direct purchase without advertising of works of art, museum specimens or historical documents.
6 c (PCR2015)	Direct purchase for the following social care services provided that the Estimated Value of such services does not exceed the UK threshold for Light-Touch service contracts: i.) residential placements sought for an individual with a registered care provider of their choice; ii.) supported living services sought for an individual with an appropriate care and support provider of their choice under the National Health Service and Community Care Act 1990 and Care Act 2014; iii.) social care packages managed by or on behalf of individual clients under the personalisation agenda; iv.) where certain needs of an individual (either an adult or a child) require a particular social care package, which is only available from a specific provider in the opinion of the appropriate Chief Officer. v.) residential placements sought for an individual under the Shared Lives scheme (or any equivalent scheme).
6 d (PCR2015)	Direct purchase for those unforeseen emergencies, where immediate action is required to fulfil the Council's statutory obligations under the Civil Contingencies Act 2004
6 e (PCR2015)	Other exceptions to these Rules
<b>Procurement Act</b>	
57 a	Where the exception is valued at £5,000 up to £99,999
57 b	Where the exception is valued £100,000 – up to relevant threshold for Goods/ Services or  £100,000 - up to £499,999 for Works and Light Touch Procurements
57 c	Where the exception is valued at £500,000 for Works and Light Touch up to the relevant procurement threshold
57 d	Where the exception is valued at Relevant Procurement Threshold and above

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Contract Modifications & Extensions

Rule	Description
<b>Public Contract Regulations 2015</b>	
30 a (PCR2015)  Modifications	Where the contract modification meets all the following: i) Modification value is below £179,087 (ex VAT) – this value shall be net cumulative of all modifications to the contract. ii) Modification value is within 10% greater or lesser of the original contract value. iii) Does not alter the overall nature of the original contract. or Where the contract modification meets all the following and was procured under the provider selection regime: i) Modification value is below £500,000 (ex VAT) – this value shall be net cumulative of all modifications to the contract. ii) Modification is 25% greater or lesser the original contract value. iii) Does not alter the overall nature of the original contract.
30 b (PCR2015)  Modifications	Where the contract modification meets all the following: i) Modification value is below £25,000 ii) Modification value is above 10% greater or lesser the original contract value. iii) The overall contract value including this modification does not exceed £179,087 (ex VAT). iv) Does not alter the overall nature of the original contract.
30 c (PCR2015)  Modifications	All other contract modifications.
30 d (PCR2015)  Extensions	Where a Contract Extension has been provided for both in the Initial Procurement Documents and in the Contract in clear and precise terms. Or Where the Contract Extension i) Value is below £179,087 (ex VAT) – this value shall be net cumulative of all extensions to this contract. ii) Value is within 10% up of the original contract value. iii) Does not alter the overall nature of the original contract.
30 e (PCR2015)  Extensions	All other Contract Extensions

<b>Procurement Act</b>	
48 a  Goods and Services Modification	Contract Value including the modification is below £179,087 excluding VAT. Value of the modification is under £100,000 and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48 b  Goods and Services Modification	Contract Value including the modification is below £179,087 excluding VAT. Value of the modification is £100,000 or over and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48 c  Goods and Services Modification	Initially a below threshold contract, however the proposed modification, regardless of value will result in the new contract value exceeding the relevant threshold, turning it into a Convertible Contract.



48 d Light Touch Modification	Contract Value including the modification is below £552,950 excluding VAT.
48 e  Works and Concessions Modification	Contract Value including the modification is below £4,477,175 excluding VAT.  Value of the modification is 10%, or below, of the contract value and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48 f  Works and Concessions Modification	Contract Value including the modification is below £4,477,175 excluding VAT.  Value of the modification is more than 10% of the contract value and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48(g) Schedule 8- Permitted  Modifications- 74(1)(a) of the Procurement Act.	The modification is permitted if it is provided for in the Contract and is within allocated budget.
48(h)  Schedule 8- Permitted Modifications- 74(1)(a) of the Procurement Act.	The modification is permitted as set out in Schedule 8 of the Procurement Act. This includes modifications are that are: <ul style="list-style-type: none"> <li>· Urgent due to the protection of life.</li> <li>· Caused by circumstances that could not reasonably have been foreseen and doesn't change the nature of the contract and does not increase the contract value by more than 50%.</li> <li>· The materialisation of a known risk (in the tender) and does not increase the contract value by more than 50%.</li> </ul> <a href="https://www.legislation.gov.uk/ukpga/2023/54/schedule/8">https://www.legislation.gov.uk/ukpga/2023/54/schedule/8</a>
48(i)  Non-Substantial Modifications- 74(1)(b) and 74(3) of the Procurement Act	The modification is not a substantial modification as defined in Section 74(3) of the Procurement Act, if it does not: <ul style="list-style-type: none"> <li>· increase or decrease the value of the contract by 10% or less for goods and services or 15% or less for works; or</li> <li>· increase or decrease the term of the contract 10% or less of the maximum term provided for on award; or</li> <li>· materially change the scope of the contract; or</li> <li>· materially change the economic balance of the contract in favour of the supplier</li> </ul> <a href="https://www.legislation.gov.uk/ukpga/2023/54/section/74">https://www.legislation.gov.uk/ukpga/2023/54/section/74</a>
48(j)  Below-threshold modification- 74(1)(c) and 74(4) of the Procurement Act	The modification is a below threshold modification to an above threshold contract or convertible contract, as defined in Section 74(4) of the Procurement Act, if it meets the following criteria: <ul style="list-style-type: none"> <li>· It does not increase or decrease the value of the contract by more than 10% (for goods and services) or 15% (for works).</li> <li>· The cumulative value of all below-threshold modifications does not exceed the relevant threshold for the contract type.</li> <li>· The scope of the contract does not change materially.</li> </ul> <a href="https://www.legislation.gov.uk/ukpga/2023/54/section/74">https://www.legislation.gov.uk/ukpga/2023/54/section/74</a>
48(k)  Other Modifications	Other modifications that are not explicitly covered by the above categories.

(not explicitly covered)	214
45 a  Below threshold Extension	Extension allowed for within the original tender/ contract
45 b  Below Threshold (where the original contract and the extension do not exceed the relevant threshold).	Extension not allowed for in the original contract
45 c  Above Threshold and Convertible Contracts (where the extension takes the contract above threshold)	Follow Rule 48



## **CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025**

### **DISPENSATION FOR ELECTED MEMBERS**

### **REPORT OF THE DIRECTOR OF LAW AND GOVERNANCE**

#### **Purpose of the Report**

1. The purpose of this report is to seek a dispensation for all elected members allowing them to take part in any discussion and vote on any matter relating to the office they hold at the County Council, for which they receive an allowance, or any office held outside the County Council, to which they have been appointed by the County Council and for which they also receive an allowance.

#### **Policy Framework and Previous Decisions**

2. The Corporate Governance Committee has the function of granting dispensations to county councillors and co-opted members and church and parent governor representatives from requirements relating to interests set out in the Members' Code of Conduct. This is set out in Article 9 of the County Council's Constitution.
3. On 29 September 2012, the Corporate Governance Committee delegated power to the Director of Law and Governance, after consultation with the Chairman and Spokesmen of the Corporate Governance Committee, to grant dispensations to members in accordance with legislation in force from time to time.
4. Given that the dispensation requested in this report is for all members of the County Council, the Director has chosen not to use her delegated powers but to seek approval from the Corporate Governance Committee instead.
5. On 20 May 2024 the Corporate Governance Committee considered and granted a dispensation to all members of the County Council on the same terms as outlined in this report. That dispensation was granted for a period of one year and so has now expired. Following the County Council elections in May 2025, there have also been a number of changes to the Council's elected members, requiring a new dispensation.

#### **Background**

6. The Members' Code of Conduct, Part 5A of the Constitution, was approved by the County Council in December 2021. The Code of Conduct requires elected members to notify the Monitoring Officer of their disclosable pecuniary interests so that they can be entered into the Register of Interests. Furthermore, members must not take part in any decision in which they have a disclosable pecuniary interest. One of the categories of disclosable pecuniary interest is "any employment, office, trade, profession or vocation carried on for profit or gain".
7. There is legal uncertainty as to whether receipt of an allowance paid by the Council may amount to a disclosable pecuniary interest when considering council business. A number of local authorities have obtained legal opinion from differing Kings Counsel and those opinions are split. In the circumstances, a number of local authorities have advised their members to err on the side of caution, as a failure to declare a pecuniary interest may amount to a criminal offence.
8. Some commentators suggest that councils could consider granting "standing dispensations" for the whole of the member's term of office for certain recurring items of council business where it is foreseen that one of the grounds for granting a dispensation set out in the Act will be met." This could include for example a dispensation relating to the payment of member allowances.

### **Dispensation Process**

9. Section 31(4) of the Localism Act 2011 sets out that where a Member is present at a meeting of the authority and has a disclosable pecuniary interest in any matter to be considered, they may not:
  - (i) Participate, or participate further, in any discussion of the matter at the meeting, or
  - (ii) Participate in any vote, or further vote, taken on the matter at the meeting.
  - (iii) If a Member fails to comply with these requirements, they would potentially commit a criminal offence.
10. Section 33 of the Localism Act clarifies that a relevant authority may, following a written request made to the proper officer by the Members concerned, grant a dispensation relieving the Members from either or both of the restrictions set out in Section 31(4).
11. A relevant authority may grant a dispensation only if, after having had regard to all relevant circumstances, the authority:
  - (a) considers that without the dispensation the number of persons prohibited by section 31(4) from participating in any particular

business would be so great a proportion of the body transacting the business as to impede the transaction of the business,

- (b) considers that without the dispensation the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business,
  - (c) considers that granting the dispensation is in the interests of persons living in the authority's area,
  - (d) if it is an authority to which Part 1A of the Local Government Act 2000 applies and is operating executive arrangements, considers that without the dispensation each member of the authority's executive would be prohibited by section 31(4) from participating in any particular business to be transacted by the authority's executive, or
  - (e) considers that it is otherwise appropriate to grant a dispensation.
12. A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.
  13. The previous dispensation was granted for one year in anticipation of the County Council elections. As the election has now passed, it is proposed that the Corporate Governance Committee grant a dispensation for a period of four years, i.e., for the life of the Council period up to the Full County Council election in 2029.
  14. A form for members to use should they wish to apply for any other reason is available on the Elected Members Portal.

### **Resource Implications**

15. There are no resource implications arising from the proposals set out in this report.

### **Recommendations**

16. It is recommended that the Committee grants a dispensation for a period of four years to all members of the County Council in relation to considering and voting on any matter as a result of an interest that may arise due to receiving an allowance from the County Council.

### **Background Papers**

The Constitution of Leicestershire County Council.

Corporate Governance Committee – 20 May 2024 – Dispensation for Elected Members -

<https://democracy.leics.gov.uk/documents/s182621/Dispensations%20report%20for%20Corporate%20Governance%20final.pdf>

**Circulation under the Local Issues Alert Procedure**

17. None

**Equality Implications/Other Impact Assessments**

18. There are no equality implications arising from the recommendations in this report.

**Human Right Implications**

19. There are no human rights implications arising from the recommendations in this report.

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**CORPORATE GOVERNANCE COMMITTEE – 23 JUNE 2025****ANNUAL REPORT OF THE CORPORATE GOVERNANCE  
COMMITTEE 2024-25****JOINT REPORT OF THE DIRECTOR OF CORPORATE  
RESOURCES AND THE DIRECTOR OF LAW AND  
GOVERNANCE****Purpose of the Report**

1. To enable the Committee to consider the draft annual report of the Corporate Governance Committee for 2024-25, prior to its submission to full Council in July.

**Policy Framework and Previous Decisions**

2. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that all local authority audit committees report annually on how it has discharged its responsibilities.

**Background**

3. The Corporate Governance Committee plays an important role in providing assurance of the Council's arrangements for corporate governance, internal and external audit, managing risk, maintaining an effective control environment and reporting on financial and other performance.
4. CIPFA has issued guidance to local authorities to help ensure that audit committees are operating effectively and to promote the role and purpose of the committee and to account for its performance in discharging its duties. The draft annual report for 2024-25 fulfilling these requirements is set out in the Appendix attached to this report.
5. In summary the report sets out the role of the Committee, its membership and the responsibilities delegated to it by the County Council. It also provides an overview of some of the sources of assurance the Committee has received during 2024-25 and highlights some of the key issues facing the Council from a governance and risk perspective.

**Resource Implications**

6. None arising from this report.

**Recommendation**

7. The Committee is asked to consider and approve the draft annual report of the Corporate Governance Committee 2024-25 for submission to full Council in July 2025.

**Officer to Contact**

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**Corporate Governance Committee**  
Annual Report

2024 - 2025

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## Foreword

By Mr T. Barkley CC  
Chairman of the Corporate Governance Committee

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I am pleased to present the Annual Report of the Council's Corporate Governance Committee (the Committee) covering the period January 2024 to March 2025. Its purpose is to highlight the role and work of the Committee and to set out what it has focused on during the year, to ensure the Council has adequate and effective governance, risk management and internal control frameworks in place.

The Committee's role is to increase public confidence about how well the Council is run – providing independent assurance and challenge to the Cabinet over governance, risk management and control processes.

The report draws attention to some of the governance issues the Committee has considered and challenged and highlights key themes that all Members of the Council should be sighted on. Over the past fifteen months the Committee has sought assurances on several issues and requested additional information and further reports from officers on specific matters where it felt this was necessary. This report provides a summary of those activities.

The role of the Committee has increased in terms of responsibilities over the last four years. As this term of the Council draws to a close, I would like to thank members of the Committee for their contribution and vigilance. The scope of the work undertaken has been varied and the addition of Independent Members being appointed to the Committee since 2023 has significantly contributed to the level of discussion. My thanks also go to officers who have aided the work of the Committee greatly.

It has been a pleasure to chair the Committee, and I would like to add my thanks to the Vice Chairman, Mr Terry Richardson CC, for his support.



**Mr T. Barkley CC**  
Chairman of the Corporate Governance Committee

## Introduction

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### What and who is responsible for good governance?

**The Chartered Institute of Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:**

“To align the authority’s processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making;
- there is appropriate stewardship of public assets and resources;
- there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities.”
- 

*(CIPFA Audit Committees: Practical guidance for local authorities and police 2022 Edition)*

Good governance is ultimately the responsibility of the Full Council as the governing body of Leicestershire County Council. It is responsible for ensuring that its business is conducted lawfully and to proper standards.

The Corporate Governance Committee is appointed by Full Council to support the discharge of its functions in relation to good governance. This report sets out how the Committee has discharged its role and demonstrates how it has:

- Fulfilled its responsibilities as delegated to it by Full Council (as set out in its Terms of Reference contained within the Council’s Constitution);
- Complied with national guidance and best practice;
- Contributed to the strengthening of the Council’s risk management, internal control and overall governance arrangements.

This report underpins the Council’s Local Code of Corporate Governance and reinforces the Council’s Annual Governance Statement.

## The Corporate Governance Committee

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### Role and Responsibilities

CIPFA's position statement on audit committees and related guidance (Audit Committees – Practical Guidance for Local Authorities and Police 2022) sets out what audit committee practices and principles a local authority should adopt. It specifically sets out the purpose, model, core functions and membership of what a local authority's governance and audit committee should look like. The Council's Corporate Governance Committee is established in accordance with this Statement and Guidance.

The core functions of the Committee are set out in its terms of reference which are contained in the [Council's Constitution \(Part 3\)](#). In summary these are to:

- Promote and maintain high standards within the Authority in relation to the operation of the Council's Local Code of Governance.
- Ensure that an adequate risk management framework and associated control environment is in place, and to monitor the arrangements for the identification, monitoring and management of strategic and operational risks.
- Ensure that the Authority's financial and non-financial performance is properly monitored and to ensure proper oversight of the Council's financial reporting processes.
- Ensure the Council's Treasury Management arrangements are appropriate and regularly monitored.
- Monitor the adequacy and effectiveness of the Council's Internal Audit Service and the external audit of the Council's services and functions.
- Monitor the effectiveness of the Council's arrangements for combating fraud and corruption.
- Promote and maintain high standards of conduct by members and co-opted members, including advising Full Council on the adoption or revision of its Code of Conduct and monitoring and advising on the operation of its Code in light of best practice and change in the law.

The Committee also reviews the Council's Local Code of Governance making recommendations to Full Council to ensure this remains relevant to the Council's work and practices. It also considers the external audit of the Statement of Accounts (including the Annual Governance Statement) and those relating to the Leicestershire Pension Fund to ensure these have been prepared in accordance with best practice. The Committee also makes recommendations to Full Council on any amendments needed to the Council's Financial and Contract Procedure Rules and approves the Council's procedure for handling member conduct complaints.

It reports directly to Full Council and the Committee is able to liaise with and refer matters to the Council's Cabinet and other bodies, including relevant overview and scrutiny Committees.

Officers of the County Council also play an important role in ensuring good governance. In accordance with Part 2, Articles 12.03 and 12.04 of the County Council's Constitution, the Monitoring Officer will support the Committee through contributing to the promotion and maintenance of high standards of conduct, and the Chief Financial Officer will provide professional advice to all County Councillors and will support and advise County Councillors and officers in their respective roles.

Internal audit is an essential component of the Council's corporate governance and assurance framework and the Public Sector Internal Audit Standards (PSIAS)<sup>1</sup> require the Head of Internal Audit Service to establish risk-based plans to determine the priorities of the internal audit activity. Under the Council's Constitution, this Committee is required to monitor the adequacy and effectiveness of the system of internal audit.

## Membership



[Mr Tom  
Barkley](#)  
(Chair)



[Mr Terry  
Richardson](#)  
(Vice  
Chair)



[Mr Bill  
Boulter](#)



[Mr Neil  
Bannister](#)



[Mr David  
Bill](#)



[Mr Barry  
Champion](#)  
(member  
until  
December  
2024)



[Mr Joe  
Orson](#)  
(member  
until May  
2024)



[Mr John Coxon](#)  
(member  
from  
December  
2024)



[Dr Kevin Feltham](#)  
(member from  
May 2024)

<sup>1</sup> With effect from 1 April 2025, local government internal audit functions are required to conform to the Application Note: Global Internal Audit Standards in the UK Public Sector

## Independence

As a Council appointed Committee, the Corporate Governance Committee is appointed in accordance with the requirement for political proportionality but, in line with CIPFA guidance and best practice, it strives for political neutrality.

In July 2023, Full Council appointed two non-voting Independent Members to the Committee – Mr Gordon Grimes and Mr Alec Maxfield. The introduction of independent members to the Committee enhances its independence and provides added expertise to support the Committee in the discharge of its functions.



Mr Gordon  
Grimes



Mr Alec  
Maxfield

The current term of office for the independent members comes to an end in May 2025 and the Committee has welcomed their input. However, it is pleasing to report that Mr Grimes has been reappointed for a further four years, along with Mr John Pilgrim.

“The breadth and scope of the Committee is extremely wide covering the whole range of Local Authority activities. We have been impressed by the knowledge and experience of the Committee Members and their ability to work together without any partisan views, but with a desire to get best value for the council taxpayers and ensure that governance is effective and risk management is robust.”

## Training

All Committee Members receive induction training before their first meeting. The Committee also then receives training on specific areas as necessary. Prior to its meeting in January 2025, the Committee received a training session relating to the Statement of Accounts and agreed that awareness raising training on this subject would take place annually. Further training for new members of the Committee will be undertaken during 2025/26, aligned to the Committee’s work programme for the next municipal year, and in response to the outcomes from members’ self-assessment of their own knowledge and skills.

The Committee is also advised when new guidance/best practice is produced and participates in consultations on developing policy, thus helping to shape the national picture, for example, CIPFA’s Code of Practice on the Governance of Internal Audit in Local Government and the Code of Conduct.

### Self-Assessment outcome

In January 2024, senior officers undertook a self-assessment of good practice against CIPFA's guidance and discussed the outcomes with members of the Committee. The self-assessment provided a high level review that incorporated the key principles set out in CIPFA's Position Statement. The results showed a high degree of conformance against the good practice principles and was an indicator that the Committee was soundly based and had in place a knowledgeable membership. These are essential factors in developing an effective audit function. The self-assessment will be reviewed by senior officers and revised where appropriate; this will then be shared with Members of the new Committee prior to its first meeting in June 2025 and will be used to support the planning of the Committee's work plan and training plans.



## The Committee's Activities 2024 - 25

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Between January 2024 and the end of March 2025, the Committee has met 5 times and considered **49 reports**.

Leicestershire County Council continues to be committed to allowing residents full insight into its decision-making processes. **All meetings of the Corporate Governance Committee are held in public, allowing people to attend in person to view the debate.** Agendas and minutes are published on the Council's website to ensure maximum transparency. Meetings are also publicly broadcast live, and the recordings can be found on the Council's website where they are available to view in perpetuity. See the Council's [YouTube channel](#).

### Financial Management

Following concerns around the financial resilience and management of local authorities, CIPFA developed the Financial Management (FM) Code. This is designed to support good practice in financial management and help local authorities demonstrate financial sustainability. The Code builds upon the underlying principles of leadership, accountability, transparency, professional standards, assurance and sustainability, and address those aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

The Code does not eliminate financial pressure or risk, but compliance with the Code validates an organisation's ability to identify and manage risk and plan for long term financial sustainability. Demonstrating compliance with the Code is the collective responsibility of elected members, the Chief Financial Officer and their colleagues in the leadership team.

The Committee considered the outcome of the assessment of the Council's compliance with the Code in January 2024 and were pleased to see that the required standards had been met. The assessment identified a few areas that required improvement such as the need for an external assessment of the role of the Internal Audit Service, and the need to consistently undertake post implementation reviews of significant capital projects to demonstrate value for money. However, overall confirmation was provided that there were no underlying problems of which the Council had not been aware. The Internal Audit Service also undertook a high-level review of the assessment and concluded that there were no other issues to report. The latest assessment of compliance with the Code is scheduled to be reported to the Committee in June 2025.

### Risk Management

A key role of the Committee is to oversee arrangements for the identification, monitoring and management of strategic and operational risk within the Council. To

do this it receives a regular update setting out all the corporate risks which have been identified centrally and across departments. Through robust consideration of these reports the Committee:

- Has monitored the overall risk profile of the Council on a quarterly basis, considered emerging risks and issues and noted those risks which have been added and removed from the Register and the reasons for this.
- Tested and challenged the scores applied to each risk and their expected direction of travel.
- Sought assurances around how risks are being managed and mitigated.
- Requested and received a presentation on the risks relating to recruitment pressures and the costly use of agency staff.
- Received a presentation on cyber security risks, following the launch of the Cyber Assessment Framework for local government.
- Asked that the risk regarding developing and maintaining a stable, sustainable and quality social care market be reviewed with the Director of Adults and Communities.

The Committee is responsible for advising the Cabinet and Full Council on its Risk Management Policy Statement and Strategy and its Insurance Policy which it reviews each year. These are then submitted as appendices to the Council's Medium Term Financial Strategy for approval. The Committee considered the 2024 and 2025 Policy Statement and Strategy and the Insurance Policy and recommended these be approved without amendment.

Overall, the Committee has received a high level of assurance that the risks identified reflect the complex environment in which the Council operates. It is acknowledged that some risks will remain high (red) indefinitely, as whilst unlikely, the impact if they occurred would be substantial irrespective of the mitigation put in place. The Committee has been satisfied that risk management processes are well established within departments; departments having demonstrated when challenged the positive actions being taken to address those that affect their service area. This has also been demonstrated in the regular reviewing and changing of the register to include or remove risks on a regular basis. This view was supported by the External Auditors in their Annual Report for 2023/24 which included a section on governance arrangements including those for risk management. The Committee was pleased to hear in January 2025 that the External Auditor's findings in relation to 2023/24 were positive and no gaps in risk management had been identified, the Council having been found to have a robust approach.

## Fraud and Corruption

The Committee oversees changes to the Council's Anti-Fraud and Corruption Strategy, Anti-Bribery Policy, Anti-Money Laundering Policy and the Policy for the Prevention of Facilitation of Tax Evasion. These have been reviewed this year and have not required substantial amendment.

In line with the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption, the Internal Audit Service reviewed the Council's Fraud Risk. The Committee considered the outcome of this assessment and the corresponding risk gradings for each area identified based on the Council's overall level of exposure and national fraud intelligence received. The Committee has also received assurance regarding the controls in place to mitigate the identified risks from occurring. The highest scoring areas of fraud risk facing the Council mirror those typically reported nationally by other councils.

The Committee has been assured that raising fraud awareness remains a priority, especially regarding common frauds or emerging frauds which are highlighted through several channels including mandatory e-learning and information shared on the Council's intranet through targeted messages. Fraud intelligence tells us that the common fraud risks at present include mandate fraud, senior officer impersonation fraud, QR-code fraud, frauds associated with the current cost of living crisis (e.g. energy refunds), cybercrime (e.g. malware, e-mail hacking, ransomware), financial grant support schemes, procurement fraud and Adult Social Care (e.g. concealment of assets). The Committee emphasises that the Council must not become complacent regarding the risks of insider fraud and where the risk is typically greater in times of economic downturn and rising costs of living.

## Annual Governance Statement (AGS)

Regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS). The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.

To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework, and that the conclusions and future challenges are appropriate, the 'Delivering Good Governance in Local Government Framework' by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) requires high level input from the Committee into the AGS.

A provisional draft AGS for 2023-24 was considered by the Committee in May 2024; this determined that there were two significant governance issues that required reporting, namely the Environment and Transport Department (Assisted Transport Board) and the Capital Programme (risk management approach). The Committee agreed that the provisional AGS was consistent with its own perspective on internal control within the Authority. Members received a final draft prior to it being published with the draft Statement of Accounts for 2023-24. However, within the County Council's Constitution (updated December 2024), Part 3 – Responsibility for Functions, Section B: Responsibility for "County Council" functions, the Constitution Committee has a function to approve the final Annual Governance Statement. This occurred at its meeting on 21 January 2025, prior to sign off by the Chief Executive and Leader of the Council.

## Internal Audit

The Committee works closely with the Council's Internal Audit Service, both overseeing its independence and effectiveness, and receiving assurance from the Service as to the adequacy and effectiveness of the Council's internal control environment.

The Committee has received regular reports from the Head of Internal Audit Service (HoIAS) which have provided updates on progress against the 2023/24 and 2024/25 Internal Audit Plans. The HoIAS has attended all Committee meetings to answer the Committee's questions, and this has enabled the Committee to discuss key findings and seek assurances where appropriate, particularly in relation to the implementation of high importance recommendations by departments following a specific audit.

The internal audit function for East Midlands Shared Service (EMSS) is provided by Nottingham City Council Internal Audit (NCCIA). During the period of this report, in September 2024, the Committee received the NCCIA Interim Head of Internal Audit's annual report and opinion on EMSS audits for the year 2023-24 and the delayed EMSS Internal Audit Plan for 2024-25. Members have raised concerns but have been provided with assurance that individual audit reports were being received. Although a plan for the delivery of internal audit for EMSS for 2025-26 and beyond had not been presented to either the EMSS Joint Committee or this Committee in December as planned, members were informed that work was being undertaken to address this and officers would continue to seek updates and keep the Committee informed.

The Committee noted the ending of the delegation agreement to provide internal audit services to Leicester City Council. Despite the arrangement working well for a number of years, the City Council wished to adopt a new approach. Assurance was received that a review of resources would ensure that these continued to meet audit priorities as set out in the Audit Plan for the County Council.

In 2023, the Committee supported proposals to undertake an external assessment of the Council's Internal Audit Service, which is required to be undertaken every 5 years in line with Public Sector Internal Audit Standards. An independent external quality assessment review of the Council's Internal Audit Service was undertaken

and the outcome (top rating but with some suggested improvements) was reported in May 2024. Members welcomed the positive feedback received.

The Committee also considered forthcoming changes to the Public Sector Internal Audit Standards, including the proposal to introduce a Code of Practice for the Governance of Internal Audit in UK local government. The Committee will continue to receive further updates on this throughout the forthcoming year.

In May 2024, the Committee received the HoIAS's Annual Report for 2023/24 which sets out their opinion on the overall adequacy and effectiveness of the Council's control environment. This year, the HoIAS's opinion was that ***"reasonable assurance had been given that the Council's control environment has remained adequate and effective."*** The Committee was pleased to hear that assurance had been supplemented by good relationships with the Corporate Management Team and senior management across departments and transparency in their reporting of significant governance issues as detailed in the Annual Governance Statement, as well as by providing detailed updates to risk positions in the Corporate Risk Register.

## External Audit

The Committee plays a significant role in overseeing the Council's relationship with its external auditors (Grant Thornton LLP) and takes an active role in reviewing the external audit plan, progress reports, the annual audit findings report and the Auditor's Annual Report setting out the findings of the value for money review.

External Auditors are required to be satisfied about the Council's arrangements to secure value for money and as part of their work, consider:

- Financial Sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness – How the Council uses information about its costs and performance to improve how it manages and delivers its services.

During the year the Committee has received regular reports and verbal updates from its External Auditor's setting out progress against the 2023/24 external audit plan.

Representatives from Grant Thornton attended the Committee meeting in December 2024 to present their Annual Report on the Council for 2023/24. Overall, the report was positive and concluded that the Council has a good track record of sound financial management, relatively strong arrangements in place to manage the financial resilience risks and had a documented governance framework to identify and manage risks. No significant weaknesses were reported but Grant Thornton did make 8 improvement recommendations in the report.

At the meeting on 24 January 2025, the External Auditor reported that it would not be possible to report a final opinion on the Financial Statements due to a few minor outstanding queries. However, final sign off of the accounts took place on 7 February 2025, with an unqualified opinion being issued in respect of the audit of the Council's financial statements.

Two improvement areas were reported along with three residual items re-raised from the 2022/23 audit, although all other prior year recommendations have been implemented. The new improvement areas relate to Property, Plant and Equipment and the new IFRS16 lease standard. These are being worked on and any updates will be provided to the Committee.

## Treasury Management

It is the responsibility of this Committee to ensure that the Council's Treasury Management arrangements are appropriate and regularly monitored. The Committee therefore considered and recommended for approval to Full Council the Annual Treasury Management Strategy Statement 2025/26 which forms part of the Council's Medium Term Financial Strategy. It has also received quarterly progress reports which advise of significant events both locally and nationally which affect the Council's treasury management activities. The Committee also seeks assurances that those with responsibility for treasury management operate within the approved policies when executing transactions.

The Committee is pleased to report that throughout the year it has *not* been advised of any incidents whereby the Council has operated outside the treasury and prudential indicators set out in the Council's Strategy during 2024/25. Whilst one new loan retrospectively breached the authorised counterparty lending list (due to subsequent changes to the credit rating), at the time of issue all were placed in accordance with the counterparty list at the point of issue. The Committee was notified of the breach at the next appropriate meeting and all amounts have subsequently been repaid with full interest. The Committee considered the annual report which set out the performance achieved in 2023/24 and was pleased to see that the investment loan portfolio had produced a strong level of over performance, taking advantage of the higher interest rates available through the year. In addition, these higher interest rates provided an opportunity to reschedule some of the Council's historic long term debt. Over the period, £39m has been repaid early which will significantly reduce ongoing interest payments.



## Internal Controls

The Committee has responsibility for monitoring the effectiveness of the Council's internal control systems and receives annual assurance reports in relation to a wide range of Council operations. This year the Committee has:

- Considered and approved changes to the **Contract Procedure Rules (CPRs)** as set out within Part 4 of the Council's Constitution and in line with the Procurement Act 2023, which came into force on 24 February 2025.
- Received assurance regarding the use by the Council of the **Regulation of Investigatory Powers Act 2016**. The Committee sought and received assurance that there had been no significant legal challenges to the Council's exercise of these powers through the Magistrates Court and that robust internal systems were in place before legal approval was obtained.
- Heard about the Council's **Resilience and Business Continuity** activities during the year. The Committee received assurance that business continuity plans had been reviewed and refreshed to check that these continued to be robust and that contractors had been contacted as part of that process given the increased risk of critical supply failure. The Committee also secured the adoption of new processes to notify local members of incidents in real time and to keep them informed of lessons learnt following an incident. The Committee also received an update on the Council's response to flooding events in 2024.
- Received a summary of the eight referrals raised under the Council's **Whistleblowing Policy** during 2023/24 and the Council's response to the issues.
- Considered the County Council's proposed response to the **Government Consultation on Strengthening the Standards and Conduct Framework for Local Authorities in England**. This will ensure a consistency of approach amongst councils investigating serious breaches of their member codes of conduct.
- Received the **Local Government and Social Care Ombudsman annual review** letter for the Authority for 2023/24 which provided valuable insight into the Council's approach to complaints and considered changes to the Council's processes. There has been a decrease in the number of complaints and enquiries received by the LGSCO. Of the 35 complaints subject to detailed investigation, 29 had a finding of some fault and were upheld; this is an increase on the previous year. No public reports against the Council were produced. It is not surprising that the largest number of complaints received related to SEN Assessments and SEN and School Transport and the Committee therefore highlighted the report to the relevant Overview and Scrutiny Committees.
- Considered plans to implement new **Global Internal Audit Standards in the UK public sector**. The Committee had previously been informed of

consultation on proposed changes to internal audit provision. From 1 April 2025, it is expected that internal audit teams in the public sector will be working to the new internal audit standards. Approval of the new governance documents will be sought from the Committee.

- Considered and agreed the procedure for **dealing with allegations of a breach of the Members' Code of Conduct**.

## Looking Ahead for 2025/26

For the coming year the Committee will continue to receive regular updates and annual assurance reports. It will continue to provide the usual level of robust challenge to corporate governance and audit practices and procedures to ensure the Council's arrangements are up to date and fit for purpose and that these are communicated and properly complied with. It will also continue to liaise with the Council's external auditors on areas for improvement.

A new CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government comes into force on 1 April 2025. The Code addresses the responsibilities of the audit committee and senior management towards the internal audit service. Conformance to the Code is identified as one of the core arrangements an authority should have in place to secure good governance and should be reflected in the AGS for 2025-26 onwards.

Rising demand for Council services at a time of reduced resources continue to give rise to significant challenges. The Committee will therefore be vigilant in monitoring the risks arising from these challenges and the mitigations put in place to address them.