



Meeting: **Corporate Governance Committee**

Date/Time: **Friday, 19 September 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**

Membership

Mr. S. L. Bray CC (Chairman)

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

AGENDA

<u>Item</u>	<u>Report by</u>
1. Minutes of the meeting held on 23 June 2025.	(Pages 3 - 10)
2. Question Time.	
3. Questions asked by members under Standing Order 7(3) and 7(5).	
4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
5. Declarations of interest in respect of items on the agenda.	
6. Presentation of Petitions under Standing Order 35.	

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|-----|---|---------------------------------|-----------------|
| 7. | External Audit of the 2024/25 Statement of Accounts - Audit Progress Report. | Director of Corporate Resources | (Pages 11 - 40) |
| 8. | Quarterly Treasury Management Report. | Director of Corporate Resources | (Pages 41 - 52) |
| 9. | Risk Management Update | Director of Corporate Resources | (Pages 53 - 72) |
| 10. | Insurance Service - Annual Report 2024/25. | Director of Corporate Resources | (Pages 73 - 82) |
| 11. | East Midlands Shared Service - Internal Audit Work undertaken by Nottingham City Council. | Director of Corporate Resources | (Pages 83 - 92) |
| 12. | Date of next meeting. | | |

The next meeting of the Committee will be held on Monday 24 November 2025 at 10.00am.

13. 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, 23 June 2025.

PRESENT

Mr. M. Bools CC
Mrs. N. Bottomley CC
Mr. S. Bradshaw CC
Mr. S. L. Bray CC
Mr. K. Crook CC
Mrs. L. Danks CC
Mr. G. Grimes

Mr. A. Innes CC
Mrs. K. Knight CC
Mr. J. McDonald CC
Mr. J. Miah CC
Mr J. Poland CC
Mr. K. Robinson CC
Mrs D. Taylor CC

30. Election of Chairman.

It was proposed and seconded “that Mr. S. L. Bray CC be elected as Chairman”.

It was proposed and seconded “that Mr. K. Crook CC be elected as Chairman”.

In accordance with Standing Order 27(4) a secret ballot took place. The Chief Executive announced the results of the ballot as follows: 6 votes for Mr. Bray CC and 6 votes for Mr. Crook CC.

Mrs. D. Taylor CC joined the meeting at this point.

In accordance with Standing Order 27(5) a second secret ballot took place. The Chief Executive announced the results of the ballot as follows: 7 votes for Mr. Bray CC and 6 votes for Mr. Crook CC.

RESOLVED:

That Mr. S. L. Bray CC be elected Chairman of the Corporate Governance Committee until the date of the Annual Meeting of the County Council in 2026.

Mr. S. L. Bray CC – in the Chair

31. Election of Vice Chairman.

It was proposed and seconded “that Mr. J. Miah CC be elected as Vice Chairman”.

It was proposed and seconded “that Mr. K. Crook CC be elected as Vice Chairman”.

In accordance with Standing Order 27(4) a secret ballot took place. The Chief Executive announced the results of the ballot as follows: 7 votes for Mr. Miah CC and 6 votes for Mr. Crook CC.

RESOLVED:

That Mr. J. Miah CC be elected Vice Chairman of the Corporate Governance Committee until the date of the Annual Meeting of the County Council in 2026.

32. Minutes.

The minutes of the meeting held on 31 March 2025 were taken as read, confirmed and signed.

33. Question Time.

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

34. 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).

35. Urgent Items.

There were no urgent items for consideration.

36. 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.

37. Presentation of Petitions under Standing Order 35.

There were no petitions.

38. Change to the Order of Business.

The Chairman sought and obtained the consent of the Committee to vary the order of business from that set out on the agenda.

39. Dispensation for Elected Members.

The Committee considered a report of the Director of Law and Governance seeking 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. It is proposed that the Committee grants the dispensation for a period of four years, ie the life of the Council period. A copy of the report marked 'Agenda Item 17' is filed with these minutes.

RESOLVED:

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.

40. Annual Report of the Corporate Governance Committee 2024/25.

The Committee considered a joint report of the Director of Corporate Resources and the Director of Law and Governance which presented the draft annual report of the Corporate Governance Committee for 2024-25, prior to its submission to full Council in July. A copy of the report marked 'Agenda Item 18' is filed with these minutes.

RESOLVED:

That the Committee approves the draft annual report of the Corporate Governance Committee 2024-25 for submission to full Council in July 2025.

Following this item, the Chairman sought and obtained the consent of the Committee to adjourn the meeting to allow members to attend the Armed Forces Day ceremony.

41. Pension Fund External Audit Plan 2024/25.

The Committee considered a report of the Director of Corporate Resources which presented the external Audit Plan for the 2024/25 Leicestershire Pension Fund accounts. A copy of the report, marked 'Agenda Item 9' is filed with these minutes.

The Chairman welcomed Mr Grant Patterson and Ms Mary Wren from Grant Thornton LLP, the Council's external auditors, to the meeting to present the plan, including the identified significant risks.

It was noted that the detailed external audit work was due to be carried out between July and September 2025, with the final audit opinion being reported to the Committee by December 2025.

The proposed fee for the 2024/25 external audit was £98,470.

Arising from the discussion, the following points were made:

- (i) A member queried what the £11,000 overrun fees last year related to. Mr Patterson explained that this largely related to fee variations and although the fees had been agreed by the Public Sector Auditor Appointments (PSAA), certain work, for example ISA 135 (business processes), had not been incorporated into the original tender process. As a result, some of the overrun fee related to work that Grant Thornton would have had to undertake around this. It was noted that audit work around business processes had been incorporated into the fee for this year, along with work undertaken by property valuation experts and other derivatives.
- (ii) It was not anticipated that the audit backstop issue would apply to Leicestershire, as the Council had no delayed audits and assurance was given that the audit would be completed by December. The backstop would come into effect in February 2026 for Councils where the audit was not complete.

- (iii) Concerns had been raised across some local authorities in relation to their pension schemes, in particular the ability to invest locally. It would be necessary to see what was included in the Pensions Bill when it was introduced. Many local pension funds were already engaging in more local investment, and whilst there would be a requirement for this, it would also be necessary to ensure that the fiduciary duty not to take undue risks was adhered to. It was expected that further discussions would take place with the Pensions Committee and the Investment Subcommittee.

RESOLVED:

That the external Audit Plan for the 2024/25 Leicestershire Pension Fund accounts be noted.

42. Annual Treasury Management Report 2024/25.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to advise of the action taken and the performance achieved in respect of the treasury management activities of the Council in 2024-25. A copy of the report marked 'Agenda Item 10' is filed with these minutes.

Arising from the discussion, the following points were made:

- (i) It was pleasing to note that the Council had made £7.5m extra on investment income, although interest rates were higher. A member queried whether moving forward, there would be more money available to invest. The Director of Corporate Resources commented that, in isolation, higher interest rates meant potentially more revenue income for the Council. However, the reason interest rates were higher for longer was due to inflation being harder to manage; this in turn meant that the Council's services would be subject to higher inflationary cost pressures. These inflationary pressures would outweigh the benefits of the additional income arising from higher interest rates.
- (ii) It was noted that the Council's Treasury Management advisors provided regular updates on the latest position with counterparties. Inevitably, changes could occur after a loan had been made and although it was not possible to do anything about this, assurance was given that any loans were made in accordance with the advice given at the time.
- (iii) With regard to the NatWest breach, it was questioned whether this had been resolved in an acceptable timeframe and whether it had highlighted any potential future risks. The Director of Corporate Resources stated that when money had been lent to NatWest, the amount recommended by the Treasury Management advisors had been up to £75m. However, when the Government reduced its shareholdings in NatWest, the Treasury Management advisors had downgraded the maximum amount to lend. This was retrospective and the Council would not lend any more money to NatWest until the amount fell below the new credit rating of £35m. This had occurred by the end of the financial year as £40m of the loan had been repaid with full interest. Assurance was given that this did not provide any risks, other than being aware that any new investments undertaken would be done so in line with the recommendations of the advisors at that time.

RESOLVED:

- a) That the contents of the Annual Report for 2024-25 be noted;
- b) That the Committee further notes that the Annual Report will be submitted to the Cabinet for consideration at its meeting on 15 July 2025.

43. Internal Audit Service - Annual Report 2024/25.

The Committee considered a report of the Director of Corporate Resources, the purpose of which was to provide an annual report on work conducted by the Internal Audit Service during 2024-25. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

It was reported that the opinion of the Head of Internal Audit Service was that 'reasonable assurance is given that the Council's control environment has remained overall adequate and effective during 2024-25'.

Arising from the discussion, the following points were raised:

- (i) A member queried whether staff within the Internal Audit team regularly audited the same areas of work, or whether this was rotated. The Director of Corporate Resources stated that despite the team being small, rotation occurred wherever possible. Although the team currently provided an audit function to the Combined Fire Authority and ESPO, it was unlikely that this would be provided elsewhere. Short term agency staff would be joining the Internal Audit team in the near future whilst a review of the team was undertaken.
- (ii) A report was due to be presented to the next Committee on the implementation of the new Global Internal Audit Standards for the UK public sector. These were not expected to be significantly different to what was already in place.

RESOLVED:

- a) That the Committee notes the Internal Audit Service Annual Report for 2024-25;
- b) That a copy of the Annual Report for 2024-25 be circulated to all members of the County Council for information.

44. Draft Annual Governance Statement 2024/25.

The Committee considered a joint report of the Director of Corporate Resources and Chief Executive the purpose of which was to outline the background and approach taken to produce the County Council's draft Annual Governance Statement (AGS) 2024-25 and to present the draft AGS prior to it being published on the Council's website by 30 June 2025 alongside the draft County Council Statement of Accounts for 2024-25. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

It was noted that, during the review of the draft AGS, it had been determined that there were two significant governance issues that required reporting, relating to Children and Family Services (improving the completion rates of new Education, Health and Care

Plans) and Corporate Resources (reducing the number of contract exceptions and extensions that are approved).

RESOLVED:

- a) That the Committee considers that the draft AGS 2024-25 is consistent with its own perspective on internal control within the authority;
- b) That the Committee notes that there are two significant governance issues reported in the draft AGS 2024-25;
- c) That the Committee notes 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.

45. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to present the Corporate Risk Register for approval along with an update on Local Government Reorganisation as an emerging risk. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

As part of this item, the Committee also received a presentation from the Senior Resilience Officer regarding Critical Service Business Continuity. A copy of the presentation is filed with these minutes.

Arising from the discussion, the following points were made:

Presentation

- (i) Following a query on whether any lessons could be learnt from the cyber attack on the City Council, it was noted that some briefings had taken place. The County Council was aware of the technicalities surrounding the attack and were taking steps to ensure that everything was in place to assist with disaster recovery. It was felt inevitable that the County Council would be the subject of a cyber incident at some point, and it was therefore essential that staff were prepared. A range of preventative measures had been implemented, including providing advice to staff, mandatory annual training and a number of infrastructure controls.
- (ii) Assurance was given that regular business continuity testing was undertaken, with quarterly reports being presented to the Resilience Planning Group (RPG). It was stated that in general, tests were carried out by exercise with six being completed in 2024. A large number of teams within the Council also tested their individual business continuity plans on a regular basis. Although this was not currently mandatory, this would be the case from July with more regular formal reporting to RPG and the Council's Corporate Management Team.
- (iii) A member questioned whether any funding from Government was received to support the prevention of cyber attacks. The National Cyber Security Centre had developed a toolkit to support local authorities in adopting best practice, and there was guidance from the Public Sector Network. A paid for service

was also available for organisations to receive support in the event of a cyber attack.

- (iv) It was noted that there were currently 42 Tier 1 critical plans, including departmental management plans, and it was queried how much duplication there was across these. Officers had met with Chief Officers to discuss this and departments were in the process of reviewing their individual plans. However, it was largely the responsibility of managers to ensure that their service had a business continuity plan in place.

Report

- (v) There was one emerging risk relating to Local Government Reorganisation. It was noted that, regardless of the Government's approach to the proposals submitted and the preferred way forward, there would be a period of intensive work and demand on internal resources, short term uncertainty and instability which would require mitigation.
- (vi) In relation to a query on Risk 1.6 (Special Educational Needs), and whether there had been an update from the Department for Education on the statutory override, the Director of Corporate Resources stated that the override had been extended pending further details on the proposed reform of the High Needs Block.
- (vii) A member commented that it would be useful to receive the full Risk Register with each item 'RAG' rated. Currently the Committee was presented with the most important risks to the Council, but this would be considered further. Discussions had previously taken place around the role of the Committee and the level of information it required to properly fulfil its role; this would provide a further opportunity to review this.

RESOLVED:

- a) That the Committee approves the status of the corporate and strategic risks facing the County Council;
- b) That the Chairman is contacted nearer to the meeting to agree the next presentation to the Committee;
- c) That the Committee notes the update to the emerging risk on Local Government Reorganisation.

46. Annual Counter Fraud Report 2024/25.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to present the counter fraud activities that took place across the Council during the 2024-25 financial year. A copy of the report marked 'Agenda Item 14' is filed with these minutes.

RESOLVED:

- a) That the Committee notes the contents of the report;

- b) That the Committee agrees to receive further reports on an annual basis;
- c) That the Committee agrees that unless a major issues 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 the Committee.

47. CIPFA Financial Management Code 2025/26.

The Committee considered a report of the Director of Corporate Resources the purpose of which was to inform of the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2025-26. A copy of the report marked 'Agenda Item 15' is filed with these minutes.

RESOLVED:

That the report be noted.

48. Annual Report on the Operations of Contract Procedure Rules.

The Committee considered a joint report of the Director of Corporate Resources and Director of Law and Governance the purpose of which was to report on the operation of the Contract Procedure Rules between 1 April 2024 and 31 March 2025. A copy of the report marked 'Agenda Item 16' is filed with these minutes.

It was reported that between 1 April 2024 and 31 March 2025, 75 approved exceptions had been recorded; this was a reduction in the number granted in the previous year.

RESOLVED:

That the operation of the Contract Procedure Rules between 1 April 2024 and 31 March 2025 be noted.

49. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Friday 19 September 2025 at 10.00am.

10.00 am - 12.27 pm
23 June 2025

CHAIRMAN



CORPORATE GOVERNANCE COMMITTEE – 19 SEPTEMBER 2025

EXTERNAL AUDIT OF THE 2024/25 STATEMENT OF ACCOUNTS – AUDIT PROGRESS REPORT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. The purpose of this report is to present the external auditor's progress report on the audit of the County Council and the Pension Fund 2024/25 financial statements.

Background

2. Grant Thornton UK LLP, the Council's external auditor, is responsible for performing the audit of the Council's 2024/25 financial statements (and those of the Pension Fund) and reporting their opinion to those charged with governance.
3. The draft 2024/25 financial statements were completed and published on the Council's website by the 30 June 2025 statutory deadline. A copy can be viewed via the following link.
<https://www.leicestershire.gov.uk/about-the-council/council-spending/payments-and-accounts/statement-of-accounts>
4. The external auditor presented audit plans to the Committee in March for the County Council, and in June for the Pension Fund. The external audit includes the 2024/25 financial statements and the annual value for money review.
5. The Pension Fund audit is planned to begin first, followed by the Council audit, as set out in the respective audit plans. The auditor has provided an update on progress to date for the Committee, attached as Appendix A.
6. Representatives from Grant Thornton UK LLP will attend the Committee meeting to provide the update and answer any questions.
7. The external audits are expected to complete fully by the end of December 2025. The Committee will then be asked to consider the auditor's final reports and approve

the financial statements. The external auditor will then be able to sign off the accounts.

8. The County Council and the Pension Fund are up to date with previous audited financial statements; the 2023/24 financial statements were signed on 7 February 2025 with an unmodified audit opinion. An unmodified audit opinion is where the external auditor considers that the financial statements give a true and fair view.

Pension Fund – Audit Progress Report 2024/25

9. The external audit of the Pension Fund started in July and is now substantially complete. The audit has progressed well and no material issues have been identified. Subject to final procedures, and the receipt of some outstanding external investment and bank confirmations, the auditor anticipates issuing an unmodified audit opinion.
10. The final audit opinion can only be given once the audit of the County Council's financial statements (as the Administering Authority) has been completed. This is planned to be by 31 December 2025.
11. The auditor is also required to provide a separate opinion on the Pension Fund Annual Report, to confirm that the financial statements included in the Report are consistent to the audited financial statements. As the Annual Report is required to be published by 1 December, the Council will need to include a note in the Annual Report that the consistency opinion will follow once the main audit opinion has been completed. This is the same as last year.

County Council - Audit Progress Report 2024/25

12. The external audit of the financial statements is in progress with audit fieldwork and substantive testing underway. It is still relatively early in the process so there is no detailed audit findings reported at this stage. However, no issues have been identified to date.
13. The detailed audit findings report is planned to be reported to the next Corporate Governance Committee in November 2025. The final opinion is then expected to be issued by 31 December 2025.

Auditor's Annual Report - Value for Money Audit

14. The Auditor is also required to report on the value for money (VfM) arrangements of the Council. The Auditor's Annual Report is a detailed review covering the following areas:
 - Financial sustainability – how the Council plans and manages its resources.
 - Governance - how the Council makes informed decisions and manages risks.
 - Improving economy, efficiency and effectiveness – how the Council uses information on its costs and performance to improve.
15. The auditor's work is currently underway with the final report scheduled to be reported to the Committee in November 2025.

16. The last VfM report, looking at 2023/24, was a positive report overall. The auditor reported that the Council has a good track record of sound financial management, has relatively strong arrangements in place to manage the financial resilience risks and has a documented governance framework to identify and manage risks. No significant weaknesses were reported, but eight improvement recommendations were made. An update on the progress against the recommendations was reported to the Committee in July 2025.

Sector Update

17. This section of the auditor's report provides updates and further reading for members on a number of different areas, including lessons from the 2023/24 auditor's annual reports, the local authority accounts backstop, local government reorganisation, and local government funding changes.
18. As reported to the Cabinet on 12 September 2025, a full refresh of the MTFS is currently underway, updating expenditure assumptions and also taking into account the potential impact of the Government's Fair Funding proposals. Initial indications suggest there may be some partial mitigation to the rising cost pressures the MTFS has identified across a range of service areas resulting from the outcome of the Fair Funding Review. The Government has released proposals from the review at a high level, but has yet to release the impact of planned changes for individual authorities. Some modelling has been commissioned by local authority representative groups which suggests there will be significant winners and losers from the changes. The initial indications are that Leicestershire County Council will benefit marginally from the proposed changes.
19. However, these figures are still only an estimate of what the final impact will be. Change could come as a result of significant lobbying of the Government from those authorities, or groups of authorities, who are set to lose significantly from the changes. The final outcome is unlikely to be known much before the provisional local government finance settlement in November / December this year.
20. The Cabinet will be asked to approve the draft MTFS 2026 to 2030 for consultation in December 2025. All Overview and Scrutiny Committees and the Scrutiny Commission will consider the draft MTFS in late January 2026 and the Cabinet will then make a final recommendation to the County Council in February 2026.

Recommendations

21. The Committee is asked to note the progress of the external audit of the financial statements.

Background papers

22. Report to the Corporate Governance Committee – 31 March 2025: External Audit Plan 2024/25 (County Council, including the Audit Risk Assessment)
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7960&Ver=4>
23. Report to the Corporate Governance Committee – 23 June 2025: Pension Fund External Audit Plan

<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7961&Ver=4>

24. Report to the Corporate Governance Committee – 23 June 2025: CIPFA Financial Management Code 2025/26 (Appendix B – External Auditor Recommendations)
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7961&Ver=4>
25. Report to the Cabinet – 12 September 2025: Medium Term Financial Strategy
<https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=135&MId=7879&Ver=4>

Circulation under the Local Issues Alert Procedure

26. None.

Equality and Human Rights Implications

27. There are no discernible equality and human rights implications.

Appendices

Appendix A – Audit Progress Report 2024/25

Officers to Contact

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,
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Simone Hines, Assistant Director (Finance, Strategic Property and Commissioning),
Corporate Resources Department,
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Leicestershire County Council & Leicestershire County Council Pension Fund

Audit progress report and sector updates

September 2025

Agenda

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Audit Progress Report

Introduction



Helen Lillington

Key Audit Partner- Leicestershire County Council

E: helen.Lillington@uk.gt.com

This paper provides the Corporate Governance Committee with a report on progress in delivering our responsibilities as your external auditors.

This is a joint report which covers both Leicestershire County Council and Leicestershire County Council Pension Fund.

The paper also includes a series of sector updates in respect of emerging issues which the Committee may wish to consider.

Members of the Corporate Governance Committee can find further useful material on our website, where we have a section dedicated to our work in the public sector. Here you can download copies of our publications: <https://www.grantthornton.co.uk/industries/public-sector/local-government/>

If you would like further information on any items in this briefing or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either your Engagement Lead or Engagement Manager.



Grant Patterson

Key Audit Partner- Leicestershire County Council Pension Fund

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Leicestershire County Council Pension Fund - Progress at September 2025

Financial Statements Audit

Our audit work was completed in a hybrid approach during July-September 2025 and is now substantially complete. There are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following outstanding matters:

- Finalisation of our work on derivative valuations
- Completion of work regarding Level 3 investments upon receipt of external confirmation requests
- Completion of work on bank and cash balances upon receipt of external confirmation requests
- Finalisation of Manager and Engagement Lead quality control reviews;
- Receipt of management representation letter; and
- Review of the final set of financial statements

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation and the financial statements we have audited. We anticipate presenting our Audit Findings Report to the 24 November 2025 Corporate Governance Committee.

Changes made to Audit Plan

In the Audit Plan presented to the Corporate Governance Committee on 23 June 2025, based on the prior year's financial statements, we identified the valuation of Directly Held Property as a significant risk, primarily due to its expected value and the sensitivity of the estimate to changes in key assumptions. 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.

Upon receipt of the draft 2024/25 financial statements we noted that Directly Held Property was valued at £90.4 million, which is below our headline materiality threshold of £91.8 million. However, audit procedures are guided by a lower threshold known as Performance Materiality. As the value of Directly Held Property exceeds this level, audit testing has been performed on the balance. However, we no longer believe there is a higher risk of material misstatement and have therefore revised our risk assessment and are not treating the balance as a significant risk.

Leicestershire County Council Pension Fund -Progress at September 2025 (continued)

Anticipated opinion

Our anticipated opinion on the financial statements will be unmodified.

Whilst our work on the Pension Fund financial statements is substantially complete, we will be unable to issue our final audit opinion on the Pension Fund financial statements until the audit of the Administering Authority is complete.

We are required to give a separate opinion for the Pension Fund Annual Report on whether the financial statements included therein are consistent with the audited financial statements. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. As noted above we also cannot issue our consistency opinion until the Administering Authority audit is complete. If the main Council audit opinion is not issued by 1 December 2025 the Fund will need to publishing its Annual Report without our consistency opinion and an explanation for the delay.

Events and meetings

As part of the core audit we meet weekly with the Council and Pension Funds finance leads. We have also recently met with the S151 and Deputy 151 to discuss current issues facing the Council which we will assess as part of continuous audit planning process.

On 4 June 2025 we hosted a webinar on devolution and local government re-organisation, and lessons from our 2023/24 value for money audits. The recording can be accessed here: [Audit committee webinar](#).

The next event taking place shortly will be:

❖ 27 January 2026 – webinar providing updates on managing local authority debt; and on preparing for local government reorganisation.

Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Leicestershire County Council Pension Fund - Audit Deliverables

Below are the audit deliverables for 2024/25:

2024/25 Deliverables	Planned Date (As per Plan presented to 23 June 2025 CGC)	Status
Audit Plan We are required to issue a detailed audit plan to the Corporate Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2024/25 financial statements.	June 2025	Complete
Audit Progress Report This includes summary of audit progress and sector update	N/A – not included in Audit Plan	Reported to this Committee (September 2025)
Audit Findings Report The Audit Findings Report will be reported to the Corporate Governance Committee.	November 2025	Not yet due
Auditor's Report This includes the opinion on your financial statements.	By 31 December 2025	Not yet due
Consistency Report on the Pension Fund Annual Report To confirm that the financial statements within the Pension Fund Annual Report are consistent with those published in the County Council's Statement of Accounts.	By 1 December 2025 or at same time as Auditor's Report above if later	Not yet due

Leicestershire County Council-Progress at September 2025

Financial Statements Audit

The audit of the Councils Financial Statements has now begun. We are working in a hybrid way with 1-2 days per week being at the Councils offices and the remainder remote/GT office.

Due to the early stage of the process there are no detailed audit findings to report. We have provided a summary of progress to date below:

- The Council published its financial statements by 30 June 2025 deadline.
- Key working papers were available for the start of the audit process.
- We have updated our risk assessment and materiality level set based on draft financial statements. At this stage there are no proposed changes to the significant risks as reported in our audit plan. Significant risks are risks requiring special audit consideration and procedures to address the likelihood of a material financial statement error. These have been identified as:
 - ❖ Management override of control
 - ❖ Valuation of the pension fund net liability
 - ❖ Valuation of land and buildings

- Property, plant and equipment is an area which is complex and involves Councils external valuer. As agreed with the Council we have focussed early audit attention in this area and the sample for this area of work has already been selected and shared with the Council.
- The audit team is currently working through key sample areas

Value for Money

Our work in the following areas is now in progress:

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 the way it manages and delivers its services.

Our findings will be reported in the Auditor's Annual Report in November 2025.

Leicestershire County Council – Audit Deliverables

Below are the audit deliverables for 2024/25:

2024/25 Deliverables	Planned Date (As per Plan presented to March 2025 CGC)	Status
Audit Plan We are required to issue a detailed audit plan to the Corporate Governance Committee setting out our proposed approach in order to give an opinion on the Council's 2024/25 financial statements.	March 2025	Complete
Audit Progress Report This includes summary of audit progress and sector update	N/A – not included in Audit Plan	Reported to this Committee [September 2025]
Audit Findings Report The Audit Findings Report will be reported to the Corporate Governance Committee.	November 2025	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Council's value for money arrangements.	November 2025	Not yet due
Auditor's Report This includes the opinion on your financial statements.	By 31 December 2025	Not yet due

Sector Updates

Lessons from 2023/24 auditors' annual reports

Recommended reading for Corporate Governance Committee:

In August 2025, we published a review of 100 Auditors' Annual Reports (AARs) produced by Grant Thornton for our local government audited bodies across England. This represents about a third of all councils in the country. The AARs offer a wealth of insights on what works, and what doesn't, when it comes to value for money and governance.

The reports in our sample showed that financial sustainability remains the major challenge for the majority of councils. Poor governance has led to some councils depleting their reserves and others incurring excessive borrowing, which current government policies around exceptional financial support and statutory override for dedicated schools grant deficits are not helping.

Common challenges for councils include gaps in risk management; high vacancy rates in internal audit; de-centralised contract management; under-supported project management; and the need for stronger, timelier data on performance. For Councils with Housing Revenue Accounts, there are also significant challenges with identifying, costing and managing high volumes of backlog repairs and maintenance work needed to meet regulatory standards.

However, with this being the second year of reporting on lessons from AARs, we also charted notable examples of cases where arrangements have been strengthened since 2022/23, yielding benefits. As well as good practice questions and reminders, the report includes case studies showing better: Control over transformation planning; approach to internal audit; project management; key performance indicator reporting; and rightsized workforce.

AAR findings in August 2025 can be compared to those from one year earlier by accessing the two years of full reporting here:

[Lessons from 2023/24 auditors' annual reports](#)

[Lessons from recent auditor's annual reports](#)



Financial Instruments in Local Government Accounts (1)

Recommended reading for Corporate Governance Committee:

Financial instruments are contracts that give rise to a financial asset for one party and a financial liability or equity instrument for another. In local government, these include a wide range of arrangements such as cash, loans, trade receivables and payables, pooled investments, financial guarantees, and more complex instruments like derivatives or loans with embedded features.

These instruments are governed by accounting standards and can significantly influence how a council's financial position and performance are presented in the accounts. Proper identification and treatment of these instruments are essential to ensure that financial statements reflect the true nature of the authority's financial commitments and exposures.

The accounting for financial instruments is not just a technical exercise. It has real implications for financial planning, risk management, and public accountability. Misclassification or incorrect measurement can lead to material misstatements, unexpected financial impacts, or audit challenges. Financial instruments can affect key areas such as the General Fund, usable reserves, and statutory reporting.

Ensuring that these instruments are correctly accounted for supports transparency, compliance with professional and statutory requirements, and the safeguarding of public resources.

We have recently released a thought leadership report, "Local authority accounting: Avoiding pitfalls in financial instruments" which covers financial instruments in detail.

Our full report includes insight about some of the potential pitfalls relating to financial instruments that can occur in local authority accounts. In addition, each section includes a range of challenge questions for authorities to consider.

The table on the next page highlights key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions that committee members may wish to raise with management.

The full report is available here:

[Local authority accounting: Avoiding pitfalls in financial instruments | Grant Thornton](#)



Financial Instruments in Local Government Accounts (2)

Key areas of focus in accounting for financial instruments, along with explanatory context and suggested questions for Corporate Governance Committee to ask:

Area of Focus	Description	Challenge Questions
Identification	Proper identification ensures that all relevant instruments are captured in the financial statements and assessed for risk and impact. While some items like loans and investments are obvious, others may be less visible.	<ul style="list-style-type: none"> How have you ensured that all financial instruments, including less obvious or complex arrangements, have been identified? What controls are in place? Have any new or unusual arrangements been reviewed for potential financial instrument implications?
Classification	Financial instruments must be classified based on how they are managed and the nature of their cash flows. Classification determines how movements are reported in the financial statements and can influence the volatility of reported results.	<ul style="list-style-type: none"> What process is followed to determine the classification of financial instruments, and how do you ensure that the classification reflects the nature of the financial instrument, including both business purpose and characteristics? Have any instruments been classified differently this year, and if so, why?
Measurement	Once identified and classified, financial instruments must be measured appropriately. Measurement affects reported balances and income, and errors can lead to misstatements.	<ul style="list-style-type: none"> What valuation methods are used for financial instruments, and how are they validated? Were any experts required during this process? Do changes in assumptions or market conditions require remeasurement?
Disclosure	Disclosures help users of the financial statements understand the nature, significance, and risks of financial instruments. Disclosures should be tailored to your specific circumstances, avoiding unnecessary complexity or boilerplate language.	<ul style="list-style-type: none"> How do you ensure that disclosures are tailored to reflect the authority's specific financial instruments and risks, and are any additional disclosures required for unusual or complex financial instruments, or for particular risks? Are disclosures complete, clear, and free from unnecessary detail?
Other Considerations	Other considerations include soft loans, capital treatment of financial assets, statutory overrides, and the requirement to make prudent revenue provisions (MRP) for certain losses. These adjustments can have a direct impact on financial planning and budget setting.	<ul style="list-style-type: none"> Have all relevant statutory overrides and adjustments been correctly applied and disclosed, and what impact have these adjustments had on the General Fund or other usable reserves? Are expected credit losses / impairments reflected in the financial strategy?

The Local Authority Backstop

Key information for Corporate Governance Committee to be aware of:

On 5th June 2025, the National Audit Office published [Local Audit Reset and Recovery Implementation Guidance \(LARRIG 06I\)](#). This followed on from the fact that on 28 February 2025, approximately 40% of local authorities received an unqualified opinion on their financial statements for 2023/24; and the remaining 60% of audits were disclaimed as auditors had not been able to conclude work by the deadline.

We are pleased to report that Grant Thornton issued unqualified opinions on 65% of our local authority audits, well ahead of the national average. Nevertheless, all Audit Committees need to be aware of work currently ongoing across the sector to help rebuild assurance for stakeholders.

How you can support us

Timely preparation of draft accounts and high quality supporting working papers is fundamental to the success of audit closedown. We look for all local authorities to prioritise this in enabling the sector to return to balance. In addition, agreeing timescales for build back work will also be key. The first priority at all audited bodies which have previously been backstopped is to gain assurance regarding in year transactions and closing balances for the current audit year. Leicestershire County Council has not been backstopped in prior years, as such this is for information only for Committee members.

An audit approach to build back assurance on financial statements

The LARRIG provides principles as well as indicative procedures which, with the application of professional judgement, enable the auditor to regain assurance in respect of opening balances. These include a framework for auditors to:

- ❖ Assess risk at an entity wide level
- ❖ Assess risk at a line-item level including in respect of specific balances and reserves
- ❖ Determine a response to risk, including appropriate testing of prior year transactions.

This will enable auditors to undertake audit work in respect of old year transactions (e.g. years which were not subject to an audit). Without that work, there would be uncertainty as whether reserves are properly accounted for.

Reorganisation update



Key reorganisation dates for Committee members to be aware of:

Key dates that relevant Committees need to be aware of for Councils other than Surrey (whose deadline was 9th May 2025) are listed below. :

26th September 2025: Deadline for areas in the Devolution Priority Programme to submit final proposals for reorganisation.

28th November 2025: Deadline for all other areas to submit final proposals for reorganisation.



Comments from Unison for relevant committees be aware of, June 2025:

Reorganisation “poses a risk for thousands of local government jobs. Crucial services on which some of society’s most vulnerable people rely could also be disrupted”. The union called for workers to be protected and for the support of residents and staff to be engaged.



August 2025: [Lessons from 2023/24 auditors annual reports](#)

Among the 100 AARs we reviewed in August 2025, were eight AARs for relatively new unitary authorities formed during or since the local government reorganisation of 2019. Our report analyses recommendations made to these councils in 2023/24 for insights that will be useful to others as they embark on their reorganisation journey.



Other recommended materials to support Audit Committees:

September 2024: [Learning from the new unitary councils](#)

March 2025: [Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton](#)

June 2025: [Audit committee webinar](#)

May 2025: We also directly shared a technical briefing on reorganisation with statutory officers in May 2025. Audit Committees (or equivalent) can obtain a copy of the briefing note now from their Section 151 officer, or from their Audit Engagement Lead or Audit Manager.

Other structural changes

Key information for Corporate Governance Committee to be aware of:



Multi-year allocations – 11th June 2025

The Spending Review on 11th June 2025 committed to multi-year allocations through the upcoming 2026/27 Local Government Finance Settlement. An assessment of each council's needs and resources was also committed to.

[Spending Review 2025 \(HTML\) - GOV.UK](#)

Additional information on the Spending Review and Fair Funding Review can be seen on pages 18 and 19 of this update.



Simplified local structures – 24th June 2025

The Minister of State for Housing, Communities and Local Government announced on 24th June 2025 that Councils with a committee system will be required to transition to a leader and cabinet model. He also announced a ban on creating new directly elected council mayors.

[Written statements - Written questions, answers and statements - UK Parliament](#)



Pensions pooling – 11th August 2025

Seven Council pension funds announced plans to join the Border to Coast pool on 11th August 2025. The government has committed to allow some “limited flexibility” to other administering authorities looking for new asset pools (moving away from Access and Brunel) but does expect all to conform as closely as possible to the 31 March 2026 deadline for meeting new minimum standards set for asset pooling.

[Pension Investment Review Final Report](#)



English Devolution and Community Empowerment

The English Devolution and Community Empowerment Bill was presented to the House of Commons and given its first reading on 10th July 2025; and its second reading on 2nd September 2025. With ayes of 365 and noes of 164 on 2nd September, the Bill now moves to Committee stage.

[English Devolution and Community Empowerment Bill](#)

Local government financial sustainability

Key information for Corporate Governance Committee to be aware of:

On 18th June 2025, the Committee of Public Accounts reported that “MHCLG has implemented short-term and unsustainable approaches to keep local government afloat”.

As evidence, the Committee reported that :

- ❖ Forty-two local authorities had to receive exceptional financial support;
- ❖ Spending on special educational needs and disabilities has outstripped the money available from the Department for Education to pay for it.

Adding to concern, the Committee also reported:

- ❖ MHCLG does not know if the billions spent delivering services locally results in better outcomes for people;
- ❖ Neither MHCLG nor HM Treasury have assessed the impact that increases in national insurance contributions will have; and
- ❖ There is significant uncertainty around how the proposed local government finance reforms and reorganisation will be implemented.

Two days later, on 20th June 2025, the government announced that the statutory override for dedicated schools grant deficits will be extended by another two years, until 31 March 2028. There is no clarity yet about how the debt associated with the grant will be managed once this new period of statutory override ends.

For wider debt burdens, the [LocalGov daily bulletin 19th August 2025](#), reported that Freedom of Information request responses from 254 councils found that:

- ❖ There has been a 60% increase in Council debt over the last sixty years; and
- ❖ Roughly a fifth of council tax revenue is being spent on payments for debt interest.

For a full copy of the Committee of Public Accounts report see [Local Government Financial Sustainability](#).



The Spending Review

Key questions for relevant Committees to ask officers:

- ❖ Have we calculated what impact the Spending Review will have on the assumptions in our medium-term financial plan?
- ❖ If the impact is negative, what mitigation is planned?

Background:

The Spending Review on 12th February 2025 did not directly address local government debt (other than that in some cases exceptional financial support increases the debt). However, the Spending Review did provide an additional £3.3 billion of grant funding in real terms for local authorities in 2028/29 compared with 2023/24. This included:

- ❖ Over £4 billion of funding available for adult social care in 2028-29 compared to 2025/26.
- ❖ £555 million to help more children stay with their families; and £560 million, between 2026/27 and 2029/30, to refurbish and expand children's homes and foster care placements.
- ❖ £39 billion for a successor to the Affordable Homes Programme over 10 years from 2026/27 to 2035/36.

- ❖ £100 million for a new community partnership approach to spending on adults with complex needs.

The Spending Review also announced a new £3.25 billion Transformation Fund to support the reform of public services so that they are focused on prevention, including for special educational needs and disability and homelessness.

The intention is that investment in digital technology and artificial intelligence transformation programmes will drive productivity improvements and help to deliver the government's missions.

[Spending Review 2025 \(HTML\) - GOV.UK](#)



Fair Funding Review 2.0

Key questions for Corporate Governance Committee to ask officers:

- ❖ What impact do we expect the Fair Funding Review to have on our medium-term financial plan?
- ❖ Have we calculated what level of support we will need from transitional arrangements?
- ❖ What mitigations are we planning if we don't receive transitional support?

Background:

Between June and August 2025, the government ran a [public Fair Funding Review consultation](#) on how it should implement Fair Funding Review 2, including on how the local government grant system should be made fairer and how transitional arrangements should work.

Under the Fair Funding Review, significant changes to the grant funding system for English local government are now expected to take effect on 1st April 2026, for the 2026/27 financial year. It is expected that grant funding will be allocated to English local authorities using a three-part system, consisting of an assessment of relative need, based on socio-economic indicators; an area costs adjustment; and a resource assessment, measuring the capacity of each council to raise council tax.

It is expected that:

- ❖ There will be no further retained business rates revenue;
- ❖ Recent spending on social care and deprivation will influence the formula; and
- ❖ There will be reduced funding for Councils with higher capacity to raise council tax.

The new methodology will apply to the Revenue Support Grant, which will also swallow up several other smaller grants that Councils currently receive.

Because the existing system has been untouched for many years, and because no new money will accompany the review, there are likely to be some very large changes to some councils' funding allocations.

The [Local Government Information Unit](#) recently argued that “in many ways (the changes) will start to put England back onto its pre-2013 footing”; and a three-year transitional period has been proposed.

Nevertheless, the changes are going to be difficult for some Councils to absorb, especially those that already have other issues with their financial sustainability.



Public procurement

Key questions for Corporate Governance Committee to ask officers:

- ❖ How much do we currently spend per annum on contracts with small and medium-sized enterprises and voluntary, community and social enterprises?
- ❖ Do we test whether our suppliers pay their creditors within appropriate timescales?
- ❖ Which outsourced services, if any, have we assessed to test whether outsourcing is still the best solution?

Background:

Between June and September 2025, the government consulted on public procurement. With an estimated £385 billion spent through public procurement every year, the consultation is intended to support implementation of the new National Procurement Policy Statement.



Cabinet Office

Proposals that are being consulted on include:

- ❖ Mandating large contracting authorities with procurement spend over £100 million per annum to publish their own 3-year target for direct spend with small and medium-sized enterprises and voluntary, community and social enterprises; and report against it annually;
- ❖ excluding suppliers from bidding for major contracts (over £5 million per annum) if they cannot demonstrate they pay their invoices within an average of 60 days;
- ❖ requiring contracting authorities to make a standard assessment before procuring a major contract to test whether service delivery should be inhouse or outsourced;
- ❖ mandating contracting authorities to carry out a public interest test prior to making a sourcing decision on major service contracts; and
- ❖ requiring contracting authorities to publish the results of the public interest test in the tender notice.

The government states that the proposals will “open up more opportunities for small and medium-sized enterprises (SMEs) and voluntary, community, and social enterprises (VCSEs), which are vital for driving the UK economy”.

For a full understanding of the proposals that were put forward, follow this link: [Public Procurement: Growing British industry, jobs and skills](#)

Keeping fit for the future



Key question for relevant Committees to ask officers:

- ❖ What changes to governance structures do we expect the new ten-year health plan to have on us?
- ❖ How are we preparing?

Background:

On 3rd July 2025, the government outlined the new ten-year NHS plan [Fit for the future](#). The plan points to a closer working partnership between local government and Integrated Care Board (ICBs), stating that:

- ❖ The number of ICBs will be reduced from 42 and the remaining ICBs will then be encouraged to adjust their boundaries to match those of new combined authorities;
- ❖ the government's aim over ten years is that ICBs will be coterminous with strategic authorities wherever feasibly possible;
- ❖ Integrated Care Partnerships will be abolished but in future, a neighbourhood health plan will be drawn up by local government, the NHS and its partners at single or upper tier authority level under the leadership of the Health and Wellbeing Board, incorporating public health, social care, and the Better Care Fund;
- ❖ mayors are going to replace local government representatives on ICB Boards;
- ❖ local authorities are going to take up Local HealthWatch social care functions; and
- ❖ from 2026, every single or upper tier local authority will be required to participate in an external public health peer review exercise, on a 5-year cycle, with the results directly informing local plans.

Keeping the leisure estate fit for the future

Key question for relevant Committees to ask officers:

- ❖ How are repairs and maintenance and replacement costs for our leisure estate reflected in our medium-term financial plan?
- ❖ Are we on track to cover replacement costs for the leisure estate?

Background:

Some £400 million was announced in [Fit for the future](#) for grassroots sports facilities, but it is not yet clear how much of that will be directed to local authorities. On 2nd August 2025, the [Local Government Association](#) reported that:

- ❖ Since 2010, 500 swimming pools have closed, representing a loss of over 34,000 square metres of water space. Nearly half of the closures occurred in the last five years.
- ❖ 63 per cent of main sports halls and 60 per cent of swimming pools are beyond their expected lifespans or in need of refurbishment.
- ❖ 24 per cent of council areas face the risk of reducing or closing leisure services due to rising energy and operational costs.

An early understanding of the condition of the estate will help to maximise the effectiveness of any funding that does become available to Councils.



Asylum seekers update

Key questions for relevant Committees to ask their officers:

- ❖ How do we capture and report accommodation costs?
- ❖ Have we calculated whether costs are matched by grant income received?
How are we managing any difference?
- ❖ What are our safeguarding responsibilities? What assurance do we have that we are meeting them?
- ❖ What assurance do we have that we are meeting our duty of care to children and vulnerable adults?

Background:

On 29th August 2025, the Court of Appeal ruled that The Bell Hotel in Epping Forest can continue to house asylum seekers, overturning an interim injunction that Epping Forest District Council had secured ten days previously to restrain the use of the hotel for such a purpose unless planning permission was granted. The Council was then denied the opportunity to appeal to the Supreme Court.

[Home Office data](#) published on 21st August 2025 shows that 115 other Councils currently have hotels within their areas that are housing asylum seekers. Those Councils may have been watching the outcome of The Bell Hotel case closely.

[The National Audit Office](#) recently estimated that it costs £15.3 billion per annum to house asylum seekers in hotels; and that hotel accommodation accounts for 76% of the annual cost of asylum contracts but houses only 35% of people in asylum accommodation system.

The [Spending Review 2025](#) committed to ending government use of asylum hotels during the current Parliament. The expectation is that these will be replaced by central government owned accommodation, probably delivered by purchasing tower blocks and former student accommodation. However, no timeline has been set for this initiative yet. Without a timeline, hotel costs are likely to be incurred and need managing for some time yet.



Future Webinars for Committee members



We plan to hold a webinar for members of Audit Committees (or equivalent) on 27th January 2026. Invitations will be available shortly on our website or can be obtained from your Engagement Lead or Audit Manager.

Areas our webinar will help with include:

Managing debt:

- Understanding the true level of debt across all sources;
- Assessing the viability of plans for debt repayment;
- Understanding and assessing current and future exposure to risk; and
- Best practice for Councils managing debt.

Local government reorganisation:

- Understanding and anticipating outcomes from the latest submissions;
- Managing change whilst waiting for decision announcements; and
- Preparing for next steps after decision announcements.

Committee resources

The Audit Committee and organisational effectiveness in local authorities (CIPFA):

<https://www.cipfa.org/services/support-for-audit-committees/local-authority-audit-committees>

LGA Regional Audit Forums for Audit Committee Chairs

These are convened at least three times a year and are supported by the LGA. The forums provide an opportunity to share good practice, discuss common issues and offer training on key topics. Forums are organised by a lead authority in each region. Please email ami.beeton@local.gov.uk LGA Senior Adviser, for more information.

Public Sector Internal Audit Standards

<https://www.gov.uk/government/publications/public-sector-internal-audit-standards>

Code of Audit Practice for local auditors (NAO):

<https://www.nao.org.uk/code-audit-practice/>

Governance risk and resilience framework: material for those with a leadership responsibility on good governance (CfGS):

<https://www.cfgs.org.uk/material-for-those-with-a-leadership-responsibility-on-good-governance/>

The Three Lines of Defence Model (IAA)

<https://www.theiia.org/globalassets/documents/resources/the-iias-three-lines-model-an-update-of-the-three-lines-of-defense-july-2020/three-lines-model-updated-english.pdf>

Risk Management Guidance / The Orange Book (UK Government):

<https://www.gov.uk/government/publications/orange-book>

CIPFA Guidance and Codes

The following all have a charge, so do make enquiries to determine if copies are available within your organisation.

Audit Committees: Practical Guidance For Local Authorities And Police

<https://www.cipfa.org/policy-and-guidance/publications/a/audit-committees-practical-guidance-for-local-authorities-and-police-2022-edition>

Delivering Good Governance in Local Government

<https://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition>

Financial Management Code

<https://www.cipfa.org/fmcode>

Prudential Code

<https://www.cipfa.org/policy-and-guidance/publications/t/the-prudential-code-for-capital-finance-in-local-authorities-2021-edition>

Treasury Management Code

<https://www.cipfa.org/policy-and-guidance/publications/t/treasury-management-in-the-public-services-code-of-practice-and-crossectoral-guidance-notes-2021-edition>



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CORPORATE GOVERNANCE COMMITTEE – 19 SEPTEMBER 2025

QUARTERLY TREASURY MANAGEMENT REPORT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of report

1. The purpose of this report is to update the Committee on the actions taken in respect of treasury management for the quarter ending 30 June 2025 (Quarter 1).

Policy Framework and Previous Decisions

2. Within the County Council's Constitution, Part 3 – responsibility for functions, the functions delegated to the Corporate Governance Committee include 'that the Council's Treasury Management arrangements are appropriate and regularly monitored'.
3. The Annual Treasury Management Strategy and Annual Investment Strategy (AIS) for 2025-29 form part of the Council's Medium Term Financial Strategy (MTFS). These were considered and supported by the Corporate Governance Committee in January 2025 and approved by the County Council in February 2025.
4. The Treasury Management Strategy requires quarterly reports to be presented to the Corporate Governance Committee, to provide an update on any significant events in treasury management. The aim of these reporting arrangements is to ensure that those with responsibility for the treasury management function appreciate the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. This is in line with the CIPFA Treasury Management Code.
5. An update in respect of Quarter 4 2024/2025 was provided to the Committee on 23 June 2025 as part of the Annual Treasury Management Report 2024/25.

Background

6. 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".
7. Temporary cashflow balances are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity

initially before considering investment return. The second main function of the treasury management service is the funding of the Council's capital plans. These provide a guide to the borrowing need of the Council, essentially the longer-term cash flow planning, to ensure that the Council can meet its capital spending obligations. This management of longer-term cash may involve arranging long or short-term loans or using longer-term cash flow surpluses. Treasury risk management at the Council is conducted within the framework of CIPFA's Treasury Management Code of Practice.

8. Capital investments in services, including those within the Investing in Leicestershire Programme, are part of the Capital Strategy (and the capital programme), rather than the Treasury Management Strategy. The capital programme is monitored and reported regularly to the Scrutiny Commission and the Cabinet.

Economic Background

9. 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.
10. Inflation, as measured by the consumer price index (CPI), fell slightly from 3.5% in April to 3.4% in May. Core CPI (CPI excluding energy and food prices) has also continued to decline, reaching 3.5% in May. Service inflation is expected to continue to fall as wage growth slows. With CPI inflation staying above 3.0% for longer the Bank of England may shift to an even slower rate cutting path.
11. GDP fell by 0.3% month-on-month in April, the first fall since October 2024 [Note – this was subsequently revised to a 0.1% fall and has been followed by a 0.1% fall in May and 0.4% growth in June]
12. The Bank of England cut interest rates from 4.5% to 4.25% in May, holding them steady in June.

Notable events subsequent to MUFG Quarter 1 Update

13. Following the 8 August Monetary Policy Committee meeting, the Bank of England reduced the bank rate by 0.25% to 4.00%. MUFG forecast the next decrease is likely to be made in quarter 4.
14. CPI data for June and July has also been announced since quarter one. The Consumer Prices Index rose by 3.8% in the 12 months to July 2025, up from 3.6% in the 12 months to June, the highest level for the last eighteen months and remaining above the Bank of England's 2% target. CPI is now expected to peak at 4% in September. Government figures reveal that the rising cost of food, airfares and fuel has pushed inflation higher than expected, ending any hopes of any further cuts in the base rate this year.

Action Taken During Quarter 1 to June 2025

Private Debt and Bank Risk Sharing Funds

15. The table below provides an overview of the Council's investments in private debt and bank risk sharing funds. 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 Qtr	
	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	0.5	0.6	4.52%	- 3.9	- 1.2	0
MAC VI	20.0	11.7	13.2	7.34%	-2.8	-0.1	-0.1
CRC CFR 5	15.0	12.5	12.0	11.18%	-5.3	0	-0.7
MAC VII	10.0	7.9	8.3	9.24%-	-0.5	0	-0.5

16. The Council received its 40th distribution from the Partners MAC IV (2017) fund during the quarter in the form of £1.2m of invested capital (shown as a negative figure in the table above). Only £0.5m capital now remains invested in this fund.
17. The Council received its 22nd and 23rd distributions from the MAC VI fund during the quarter totalling £262,000; this represented a return on invested capital of £131,000 with £131,000 being income.
18. The Council received its 14th and 15th distributions from the Christofferson Robb and Company's (CRC) Capital Relief Fund 5 (CRF 5). The total receipt of £0.7k is represented wholly by income.
19. The Council received its first distribution of £0.5m from the Partners MAC VII fund in quarter 1, wholly represented by income

Short Term Investments

20. A summary of movements and key performance indicators (KPIs) in the Council's investment loan portfolio can be viewed in the table below which details the Annual Percentage Rate (APR) of the portfolio, the average APR of loans matured, and new loans placed. The table also shows the Weighted Average Maturity (WAM) of the portfolio.

KPIs Loans only:

	Total Loans	APR (Loans Only)	WAM (Days) ¹	Maturities (£m)	APR Maturities	New Loans (£m)	APR New Loans
Current Qtr	394.7	4.43%	149	232.2	4.82%	244.7	4.29%
Prior Qtr	382.2	4.86%	86	92.5	4.99%	102.2	4.57%
Change	↑ 12.5	↓ 0.43%	↑ 63.0	↑ 139.7	↓ 0.17%	↑ 142.5	↓ 0.28%

¹WAM excludes MMFs as these are overnight maturity

21. The total balance available for short term investment increased by £12.5m during the quarter.

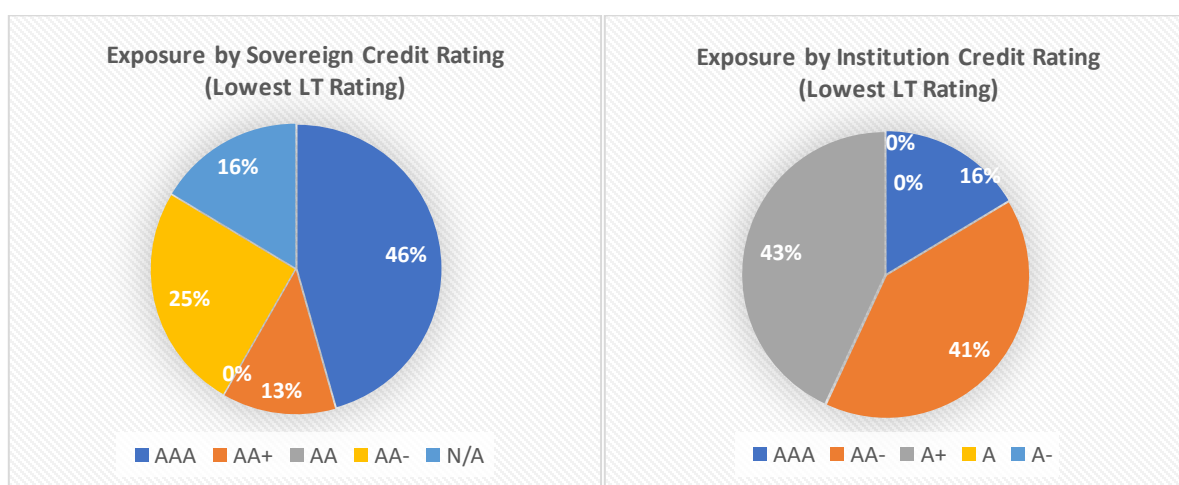
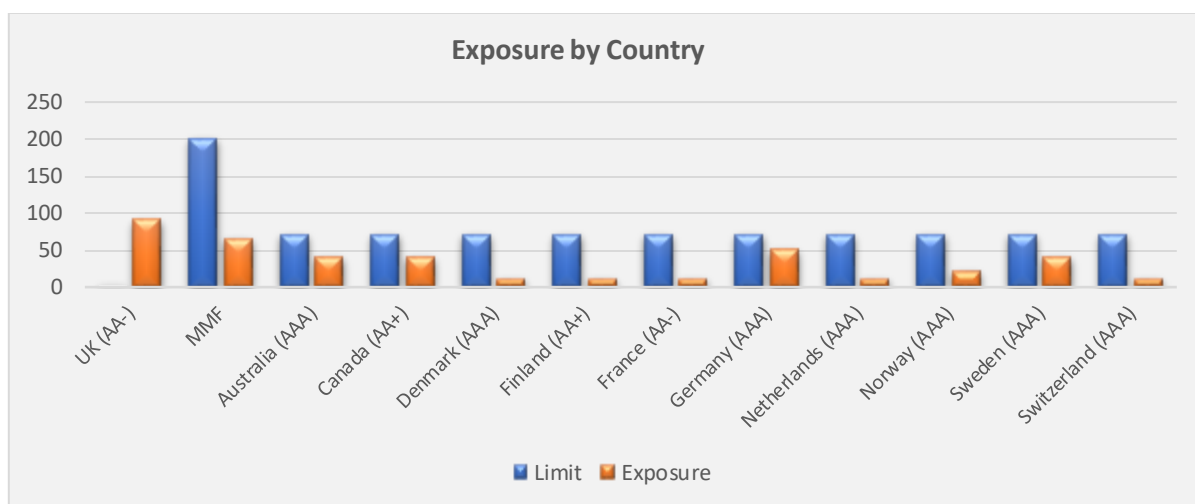
22. As a result of the falling base rate, the APR on new loans has reduced by 0.28% quarter on quarter.
23. The loans WAM increased by 63 days and indicates that the portfolio will be more insulated against movements in interest rates (whether these are up or down). This was primarily driven by more cash being available to lend longer due to the high value of maturities in the quarter.
24. The loan portfolio at the end of June was invested with the counterparties shown in the table below, listed by original investment date:

	£m	Maturity Date
Instant Access		
Money Market Funds	64.7	July 2025
6 Months		
Credit Industrial Et Commercial	10.0	September 2025
Goldman Sachs	10.0	September 2025
Santander	20.0	September 2025
Goldman Sachs	15.0	October 2025
National Westminster Bank Plc	25.0	October 2025
Goldman Sachs	10.0	December 2025
12 Months		
Swedbank	20.0	July 2025
National Westminster Bank Plc	10.0	July 2025
Landesbank Hessen Thuringen	10.0	September 2025
Landesbank Hessen Wurtemberg	10.0	October 2025
Landesbank Hessen Thuringen	10.0	October 2025
Commonwealth Bank of Australia	10.0	October 2025
DNB Bank	10.0	October 2025
DNB Bank	10.0	October 2025
Rabo Bank	10.0	March 2026
Skandinaviska Enskilda Banken AB (SEB)	20.0	April 2026
Union Bank of Switzerland (UBS)	10.0	April 2026
Macquarie Bank	10.0	April 2026
Toronto Dominion Bank	20.0	May 2026
Bank of Montreal	20.0	May 2026
Nordea ABP	10.0	May 2026
Deutsche Zentral (DZ)	20.0	May 2026
Australia & New Zealand Bank	20.0	May 2026
Beyond 12 Months but included in short term investments		
Danske Bank [#]	10.0	May 2027
Short term investments total	394.7	

Beyond 12 Months		
Partners Group (Private Debt) 2017	0.5	Estimated 2025
Partners Group (Private Debt) 2021	11.7	Estimated 2029
CRC CRF 5 (Bank Risk Sharing)	12.5	Estimated 2030
Partners Group (Private Debt) 2023	7.9	Estimated 2030
<u>TOTAL PORTFOLIO BALANCE:</u> <u>30 June 2025</u>	427.3	

#Danske Bank loan is included in short term investments for reporting in the tables above as the interest fixing is every six months.

25. The graphs below show the exposure of the short-term investments by country, sovereign rating and institution rating:

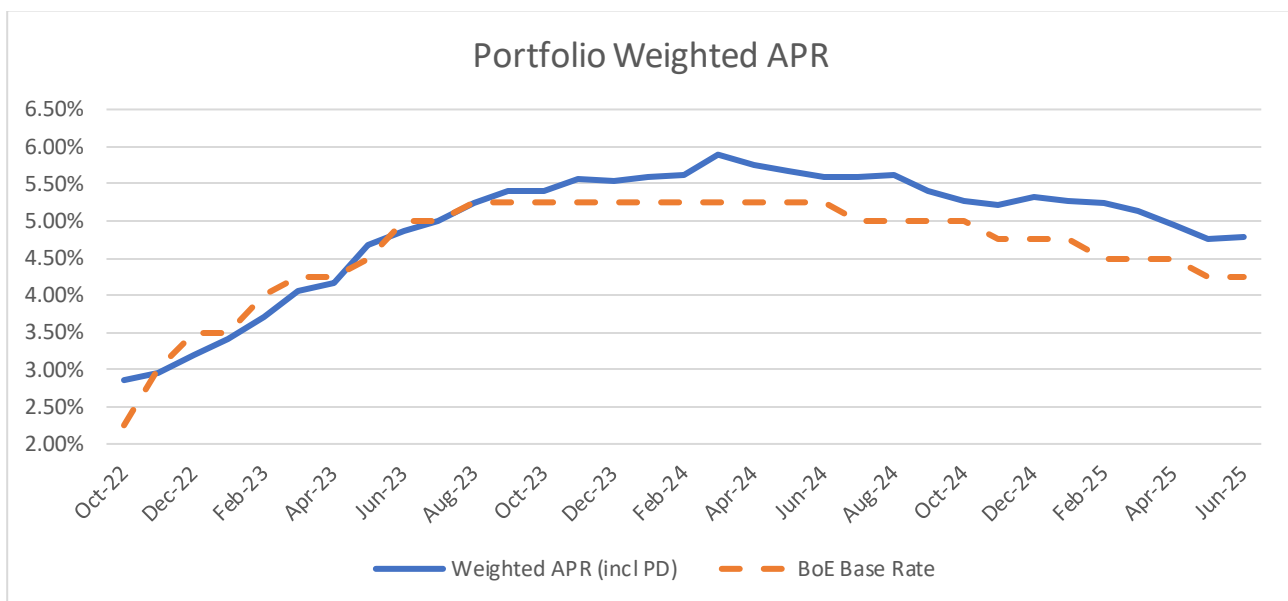


26. These graphs provide an indication of the Council's exposure to credit risk but it should be noted that long term credit rating is just one of the components used to determine the list of acceptable counterparties; short-term ratings, ratings outlook, rating watches, credit default swap movements (the cost of insuring against a default)

and general economic conditions are also factored in before the counterparty list is drawn up.

Total Portfolio

27. The total portfolio weighted APR decreased from 4.86% in Quarter 4 2024-2025 to 4.43% in Quarter 1 2025-2026. This is due to reductions in the rates available in the market, in anticipation of an upcoming reduction to the Bank of England (BoE) base rate. The chart below shows the weighted APR achieved by the treasury portfolio compared to the BoE base rate. This highlights that whilst base rates have stabilised since August 2023, the weighted APR of the portfolio has achieved a higher return in the months that followed. Most investments within the portfolio are on a fixed interest basis so changes in base rate do not immediately have a material impact on the APR achieved. One indicator for how big this lag is the WAM. This shows the average length of time remaining until the Council's short-term investments mature. It can be seen from the table in paragraph 20 that the average days to maturity of loans is 149 days – an increase of 63 from the last quarter.



Loans to Counterparties that breached authorised lending list

28. During quarter 1 2025/26 there were no loans which breached the authorised lending list.

Debt Rescheduling

29. There was no debt rescheduling during quarter 1 2025/26.

Compliance with Prudential and Treasury Indicators – Quarter 1

30. 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 30 June 2025, the Council has operated within the treasury and prudential indicators as set out in the Council's Treasury Management Strategy Statement for 2025/26, except for the capital expenditure forecast for 2025/26. The latest estimate of capital expenditure in 2025/26 is £199m compared with the original

prudential indicator of £164m. The increase is due to additional government capital grants, announced after the MTFS was approved, and the rephasing of capital expenditure (and its funding) from the 2024/25 outturn. The increase in the programme is fully funded and there is no change in the overall borrowing required to fund the four-year capital programme - £84m by 2028/29. The Director of Corporate Resources reports that no difficulties are envisaged in complying with these indicators.

Resource Implications

31. The interest earned on revenue balances and the interest paid on external debt will impact directly onto the resources available to the Council. The budgeted income for interest generated by treasury management activities (excluding private debt and pooled property investments) for 2025/2026 is £12.0m. Current bank interest forecasts show interest earned in 2025/2026 could reach £16.0m. The increase in interest income is due to i) forecast Bank of England base rate levels being higher and for longer than forecast and ii) higher than estimated average Council balances than when the budget was set. Average balances remain strong due to the level of earmarked reserves, latest phasing of spend on the capital programme and government grants received in advance. The forecast position is also compounded by the lag on changes to interest rates impacting the portfolio, as explained earlier in the report.

Recommendations

32. The Committee is asked to note this report.

Background papers

33. None.

Circulation under the Local Issues Alert Procedure

34. None.

Equality and Human Rights Implications

35. There are no discernible equality and human rights implications.

Appendices

Appendix A - Economic Overview (For the quarter to June 2025)

Appendix B – Prudential and Treasury Indicators for 2025/26 as at 30th June 2025

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Economics update

- The first quarter of 2025/26 (1st April to 30th June) saw:
 - A 0.3% m/m fall in real GDP in April – the first fall since October 2024
 - The 3myy rate of average earnings growth excluding bonuses fall from 5.5% to 5.2% in May
 - Core CPI inflation ease from 3.8% in April to 3.5% in May as temporary Easter-related effects faded
 - The Bank of England cut interest rates from 4.50% to 4.25% in May, holding them steady in June
 - The 10-year gilt yield fluctuate between 4.4% and 4.8%, and end the quarter at 4.50%
- The 0.3% m/m fall in real GDP in April was the first fall since October 2024 and the largest fall since October 2023. This is a significant shift from the 0.7% q/q rise in Q1 2025, probably as a result of the boosts from net exports and business investment unwinding. The decline in exports was mostly due to a reversal of US tariff front-running with export values to the US falling by 31% m/m after rising 34% in total in the five months to February. April's GDP figures also showed manufacturing output falling by 0.9% m/m along with the domestic economy showing signs of weakness in April. Despite construction output growing by 0.9% m/m, services output declined by 0.4% m/m, reversing all of March's 0.4% m/m rise. This weakness in services likely reflects higher labour costs from April's rise in National Insurance Contributions for employers. May's GDP may have fallen a bit further as the boosts in Q1 continued to unwind. Overall, GDP in Q2 is likely to have flatlined and the economy will probably be hindered by subdued overseas demand and domestic businesses cutting spending given a rise in costs due to April's increase in taxes. The Bank of England expects growth in 2025 to be around 0.8%.
- Despite the rise in the composite Purchasing Managers Index (PMI) from 50.3 in May to 50.7 in June, it is still below its level in March, prior to the rise in business taxes and Trump's Liberation Day tariffs. This rise was driven by increases in both the services and manufacturing output balances. Although the services PMI rose from 50.9 to 51.3, that is consistent with non-retail services output growth slowing from 0.5% 3m/3m in April to 0.3% 3m/3m in June.
- The sharp 2.7% m/m drop back in retail sales volumes in May adds to other evidence that the burst of economic growth in Q1 is over. The weakness was widespread with sales falling in all seven of the major categories. This decline was partly due to the unwinding of the previous boost from April's unusually warm and dry weather along with inflationary pressures prompting consumers to cut back. The latter would be a more persistent drag on retail spending. Looking ahead, the rise in the GfK measure of consumer confidence from -20 in May to -18 in June is consistent with the annual rate of real retail sales growth accelerating from -1.3% in May to around +0.5%.
- While the £17.7bn of public sector borrowing in May was higher than the Office of Budget responsibility (OBR) forecast of £17.1bn, borrowing was £2.9bn below the OBR's forecast in the first two months of the 2025/26 fiscal year. The current budget deficit was £12.8bn in May, a touch below the OBR's forecast of £13.0bn. Within that, government spending surprised to the downside. Central government expenditure was £0.5bn lower than the OBR's forecast in May, leaving it £1.6bn lower in April and May combined. That has been largely driven by debt interest payments, which were £1.1bn below the OBR's forecast in May. But if the rises in gilt yields since the Spring Statement in March are sustained, the OBR will revise up its forecast for debt interest payments in the years ahead. That of itself would knock £1.0bn off the Chancellor's £9.9bn of headroom against her fiscal mandate and the subsequent Government U-turns on benefit and welfare spending and higher borrowing costs may mean to maintain her current £9.9bn buffer, Reeves has to raise upwards of £13bn later this year. And with the gilt market sensitive to significant increases in borrowing, all this means substantial tax rises are looking very likely.
- The weakening in the jobs market is gathering pace. May's 109,000 m/m fall in the PAYE measure of employment was the largest decline (barring the pandemic) since the data began and the seventh in as many months. The monthly change was revised lower in five of the previous seven months too, with April's 33,000 fall revised down to a 55,000 drop. Overall, the payroll measure of employment has now fallen by 276,000 since the announcement of the rise in payroll taxes and the minimum wage in the October Budget. The job vacancies data also portrays a rapidly weakening labour market. The number of job vacancies is now falling a bit faster, dropping from 760,000 in the three

Appendix A

months to April to 736,000 in May. Capital Economics' seasonally adjusted measure of single-month vacancies declined sharply from 763,000 in April to 713,000 in May.

- A looser labour market is driving softer wage pressures. The 3myy rate of average earnings growth excluding bonuses fell from 5.5% to 5.2% in May. The rate for the private sector slipped from 5.5% to 5.1%, putting it on track to undershoot the Bank of England's Q2 forecast of 5.2%. And after rising in April as the 6.7% rise in the minimum wage took effect, the timelier PAYE median earnings measure fell back from 6.2% y/y in April to 5.8% in May. Softer wage growth is feeding through to lower services inflation, pointing to a slowdown from 4.7% in May to around 3.0% by the end of the year.
- CPI inflation fell slightly from 3.5% in April to 3.4% in May – close to consensus. The sharp falls in services inflation from 5.4% to 4.7% and in core inflation from 3.8% to 3.5% confirmed that the previous month's jumps partly reflected an Easter-related blip. Services inflation is expected to continue to fall as wage growth slows, supporting a view that CPI inflation will fall close to 2.0% by the start of 2027. An upside risk, however, in the near term is that higher oil/gas and food prices could trigger another bout of second-round effects on wages and inflation expectations, meaning CPI inflation stays above 3.0% for longer and causes the Bank to shift to an even slower rate cutting path. CPI is expected to peak at 3.8% in September.
- The yield on the 10-year gilt moved sideways in the second quarter of 2025. After rising from 4.4% in early April to 4.8% in mid-April following wider global bond market volatility stemming from the "Liberation Day" tariff announcement, gilt yields eased back as trade tensions began to de-escalate. By the end of April, the 10-year gilt yield had returned to 4.4%. In May, concerns about stickier inflation and shifting expectations about the path for interest rates led to another rise, with the 10-year gilt yield fluctuating between 4.6% and 4.75% for most of May. Thereafter, as trade tensions continued to ease and markets increasingly began to price in looser monetary policy, the 10-year yield edged lower, and ended Q2 at 4.50%. We expect this trend to continue over the next year. However, it is more difficult to be confident that the longer part of the curve will also see falls in yields, although that is still our central case, as that part of the curve is increasingly held by transient investors, such as foreign investors and hedge funds. Pension funds and insurance companies have more appetite in the short to medium part of the curve nowadays.
- The FTSE 100 fell sharply following the "Liberation Day" tariff announcement, dropping by more than 10% in the first week of April - from 8,634 on 1st April to 7,702 on 7th April. However, the de-escalation of the trade war coupled with strong corporate earnings led to a rapid rebound starting in late April. As a result, the FTSE 100 closed Q2 at 8,761, around 2% higher than its value at the end of Q1 and more than 7% above its level at the start of 2025.

MPC meetings: 8th May & 19th June 2025

- There were two Monetary Policy Committee (MPC) meetings this quarter. In May, the Committee cut Bank Rate from 4.50% to 4.25%, while in June policy was left unchanged. In June's vote, three MPC members (Dhingra, Ramsden and Taylor) voted for an immediate cut to 4.00%, citing loosening labour market conditions. The other six members were more cautious, as they highlighted the need to monitor for "signs of weak demand", "supply-side constraints" and higher "inflation expectations", mainly from food prices rising. By repeating the well-used phrase "gradual and careful", the MPC continued to suggest that rates will be reduced further.
- At the start of June, amid escalating tensions between Israel and Iran, oil prices surged to over \$75 per barrel. However, following a ceasefire agreement near the end of the month, oil prices eased back to levels prior to the conflict. Given the drop back in energy prices and the relatively muted reaction to fears of a ceasefire violation, along with a large drop in the services PMI output prices balance, our central view is that once inflation begins to trend downwards in the final months of 2025, Bank Rate reductions can begin again from November (pause in August as inflation remains close to its peak), falling to a low of 3.5% in May 2026. However, if the conflict in the Middle East were to result in higher energy prices and/or domestic inflationary pressures grow stronger, there is a risk the Bank of England may skip cutting rates further.

APPENDIX B**PRUDENTIAL INDICATORS 2025/26**

	Prudential Indicator set 2025/26	Quarter 1 Forecast
Capital Expenditure	£164m	£199m
Capital Financing Requirement	£196m	£193m
Actual Capital Financing Costs as a % of Net Revenue Stream	2.2%	2.0%
Net income from commercial activities as a % of net revenue stream	1.0%	1.0%
Operational Boundary for External Debt	£207m	£207m
Authorised Limit for External Debt	£217m	£217m
Liability Benchmark – Gross loans requirement	£-103m	£-115m
Actual debt as at 31/3/2026	N/A	£174m

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CORPORATE GOVERNANCE COMMITTEE – 19 SEPTEMBER 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
 - Emerging risks
 - The Worker Protection Act
 - Local Government Reorganisation - update

Corporate Risk Register (CRR)

2. Within the County Council's Constitution (revised March 2025), the Terms of Reference at Section 2: Governance and Risk places a responsibility on the Committee, 'To review and monitor the effective development and operation of risk management in the Council including the Council's risk management framework'.
3. 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.
4. 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.
5. Updates to the current risks on the CRR (last presented in full to the Committee on 23 June 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 was refreshed and approved in April 2024 for the remaining two years (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: -

Risk added

1.14 Chief Executives (East Midlands Gateway 2)

6. If the East Midlands Gateway 2 (EMG2) Segro Development Consent Order (DCO) application is approved by the Secretary of State without mitigating infrastructure, then this could significantly impact the Council's services and responsibilities and could stifle wider growth in the International Gateway, including significantly impacting on the ability to deliver Local Plan growth in North West Leicestershire District Council.

Risk removed

3.8 Chief Executives (Business Intelligence)

7. If there is a failure to provide appropriate strategic and operational business intelligence then the council's policy and strategy will not be evidence-led and day-to-day service delivery, costs and reputation may be negatively impacted, including meeting statutory requirements.

Rationale: The Business Intelligence team has successfully migrated all data to a new physical server, so the risk as originally outlined no longer applies.

Presentation

8. A presentation will be provided on risk #4.4, 'If there is an actual or perceived breach of procurement guidelines then there may be a challenge which results in a financial penalty'.

Emerging risks

The Worker Protection Act

9. In recent years, there has been a notable increase in reported incidents of harassment and sexual harassment both within society at large and within workplace environments. This societal trend, coupled with heightened public awareness and expectations around sexual safety, reinforces the importance of proactively addressing these issues within our organisation. The Worker Protection (Amendment of Equality Act 2010) Act 2023, often called the Worker Protection Act, introduces a proactive duty for employers to take reasonable

steps to prevent sexual harassment. The Act came into force on 26 October 2024. Officers have been working on policy, procedure and a corporate risk as recommended by Equality and Human Rights Commission (EHRC). It is following this work and review that we are now raising a risk given the diversity of work undertaken across the Council, we are now seeking to test and refine our approach, particularly to assess whether there are areas of higher risk within the organisation. This assessment will help us to prioritise targeted interventions, such as tailored training and enhanced support, ensuring our efforts and resources are directed where they are most needed.

10. Non-compliance with the Act could result in: -

- a. legal action by the Equality and Human Rights Commission (EHRC). Their powers include investigating the employer, issuing unlawful act notices, implementing a formal legally binding agreement and seeking an injunction against the employer for committing an unlawful act
- b. Increase in compensation for sexual harassment, if an employment tribunal finds in favour of the claimant:
- c. Increase in grievance and discrimination cases that the employer cannot defend, especially in relation to third party actions against employees.

11. Mitigations implemented so far include: -

- a. Adoption of EHRC guidance and an 8-step guide developed to support compliance to the legislation. This provides the template for complying with the duties and taking all reasonable steps to protect our employees.
- b. An Action Plan has been developed and will continue to be updated. It includes: -
 - i. Development of a Zero Tolerance Statement
 - ii. Review of all current policies and procedures to ensure that anti-harassment is included.
 - iii. Development of risk assessment process that can be used across the organisation, with specific focus on services and potential hazards.
 - iv. Inclusion of harassment and sexual harassment in current system/s and procedures, including updating guidance and training for all employees.
 - v. Development of learning and training programmes for all employees, managers and senior officers, including key leads in departments who will support in the completion of the risk assessment.
 - vi. Inclusion of reporting on harassment and actions taken into Health & Safety reporting.

12. A wide range of further mitigations are planned before the end of the calendar year, including an independent review into the Council's approach to 'Sexual Safety' (this is routinely referred to in Health organisations and can be defined

as feeling secure and protected from any form of sexual harm, including unwanted sexual behaviour, harassment, assault, and exploitation). These steps reflect our ongoing commitment to have a safe and respectful workplace for everyone.

Local Government Reorganisation – update

13. At its meeting on 23 June 2025, the Committee was provided with background to the Government's proposals for local government reorganisation. It was informed that initial feedback had been provided by the Government on the interim plans submitted and final plans were to be worked on and submitted by the end of November 2025.
14. A report was provided to Cabinet on 12 September to provide members with an overview of the Government's policy on local government reorganisation, the local response earlier this year, a summary of the current position across Leicester, Leicestershire and Rutland (LLR) and the picture which is emerging regionally and nationally. The report also references the financial modelling that is currently being undertaken to inform an options appraisal with a final proposal for a unitary structure required to be submitted to the Government by 28 November 2025.

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 emerging risk on the Worker Protection Act, and an update on 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, 22 September 2023, 17 November 2023, 26 January, 20 May, 16 September and 6 December 2024, 24 January, 31 March and 23 June 2025.

Officers to Contact

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



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

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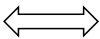
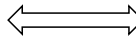
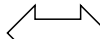
Appendices


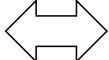

Appendix A - Corporate Risk Register Update (July/August 2025)




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



CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update July/August 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>The Government's June Spending Review showed a tight settlement for local government, with increases in core funding being driven predominantly by Council Tax and Business Rates increases. Information was largely at a national level so it is difficult to draw any accurate conclusions about the potential impact on LCC. A Fair Funding consultation (also released in June) set out a revised methodology for calculating funding shares and also confirms that a full business rates reset will take place for 2026/27. The consultation is extremely complicated with a number of clarifications still awaited. It's not possible to estimate the impact of the consultation proposals yet. A Policy Statement is due at the end of September should give further information. The full impact of both the Spending Review and Fair Funding proposals won't be known until the LG Finance Settlement is released in late autumn. The current proposals are likely to significantly impact the financial sustainability of district councils.</p> <p>The early budget monitoring position for 2025/6 shows a small overspend which is being managed. This is driven primarily by Children's Social Care, due to increased demand and complexity of placements. The High Needs Block deficit is also forecasting a significant overspend in the current year based on increased demand. Further work is being done to understand the causes and mitigations across Children's social care and SEND, which continue represent the biggest risks facing the Council.</p> <p>In July Cabinet approved a procurement exercise for a comprehensive efficiency review and the specification is currently being developed with the aim of releasing by the end of August. This will include recommendations from the transformation portfolio review where possible.</p>	<div></div> <div>Expected to remain high/red</div>
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>Placement fee uplift process 25/26 completed in collaboration with East Midlands region and has contributed to cost avoidance for 25/26 due to lower fee uplifts than previous years</p> <p>New opportunities continuing to be explored to deliver alternative accommodation and support via the Gateway 2 Resources (G2R) Framework including mini-tender opportunities for 16+ Unaccompanied Asylum Seeking Children (UASC)</p> <p>There is a continuing rise in the number of children being placed in residential care due to complexity of need. The number in residential is exacerbated by not being able to step children out when their need is no longer high due to the insufficiency in foster placement. We have approved 3 carers so far this year and currently have 18 in assessment. Of these 10 are likely to complete the approval process and 5 are likely to with additional support.</p>	<div></div> <div>Expected to remain high/red</div>
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	<p>Deficit projections for 2025/26 are above MTFS profile projections. Predominatnly due to continued increase in demand for Education Health and Care plans.</p> <p>The dedicated schools grant statutory override, which was due to end next year, was extended to the end of 2027-28.</p>	<div></div> <div>Expected to remain high/red</div>
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>No change to previous update. 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>	<div></div> <div>Expected to remain high/red</div>

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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	Draft policy to go to Cabinet October 2025 and the Scrutiny November 2025 followed by public consultation. Adoption anticipated February 2026'	 Expected to move to medium/amber
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	We currently have 92 Children in Care (CIC) and 243 Care leavers. Those arriving by the National Transfer Scheme (NTS) are the highest numbers becoming being looked after. UASC arrive via a number of routes. In total 142 have arrived through the NTS, 100 through the adult asylum hotels and 98 spontaneous arrivals. In June we had 12 children accommodated through the NTS. We continue to ensure that support for children and care leavers is needs led and reduced where it can be. Tender exercise for mini competition for UASC provision went live June 2025	 Expected to remain high/red
1.14	CEx	If the East Midlands Gateway 2 (EMG2) Segro Development Consent Order (DCO) application is approved by the Secretary of State without mitigating infrastructure, then this could significantly impact the Council's services and responsibilities and could stifle wider growth in the International Gateway, including significantly impacting on the ability to deliver Local Plan growth in North West Leicestershire District Council (NEW)	4	4	16	2	2	4	Risk increased due to proposed imminent (26 August) submission of application by SEGRO with significant outstanding evidence not least around highways and transport provision Currently, risks remain in unmitigated impacts across service areas including highways and transport, public health, flooding, ecology, archaeology, materials and waste. A cross department project team has been established and key milestones and required actions set out. The risk is complicated somewhat due to a separate planning application having been submitted for part of the site by Manchester Airports Group (with their development partner Prologis). In many respects the risk of unfunded infrastructure impacts exists, regardless of which development route ultimately gets progressed. As the site sits under the East Midlands Freeport, there is the potential for these risks to be mitigated, at least in part, by retained business rates from the Freeport being directed to cover these infrastructure costs. The County Council is currently the Accountable Body for the Freeport, but this is expected to switch to the East Midlands Combined County Authority at the start of the next financial year. Due to the complexity of the planning position, given the 2 competing approaches, there is a risk of development on the site being delayed. This would push back the risks to the County Council but would also push back the timelines for retained business rates becoming available with less being generated in total over the 25 year window for retained business rates	 Expected to move to medium/amber

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2. Health & Social Care Integration										
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	<p>A&C - The department is working with the Integrated Care Board (ICB) and other partners, to support with demand and quality, including intermediate care and universal Mental Health services.</p> <p>We are monitoring what impact the clustering of Northamptonshire's and Leicestershire and Rutland's ICB could have on services and demand.</p> <p>C&FS - The publication of the Integrated Care Board (ICB) blueprints and subsequent requirement for significant savings to be made at the ICB present a risk to various aspects of Childrens Services delivery. Meetings have been set up with ICB leads to work through specific issues such as SEND, Safeguarding and Funding as well as the development of neighbourhoods.</p> <p>PH - The impact of the NHS structural changes may result in a decreased ability for the local NHS to work effectively with Public Health</p>	<div></div> <div>Expected to remain high/red</div>
3. ICT, Information Security										
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	<p>Projects and cyber initiatives outlined in previous update are still in progress.</p> <p>Latest cyber position presented mid-June. Regular 6 monthly attendance at DMT to present updates on Cyber Security.</p> <p>Phishing comms campaign undertaken during June. Further cyber communications to continue during August/September (topic to be confirmed).</p> <p>Rollout of Multi-Factor Authentication (MFA) across the organisation is progressing. DMT discussion to be arranged for August to present latest rollout status and agree next steps.</p> <p>Nearing completion of the rollout of Windows 11 to the desktop computing estate</p>	<div></div> <div>Expected to remain high/red</div>
4. Commissioning & Procurement										
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	<p>The procurement toolkit has been finalised with all guidance and processes available for all staff to follow.</p> <p>The target operating model is nearing finalisation with a roll out period up to February 2026 in line with new procurement system implementation.</p>	<div></div> <div>Expected to remain high/red</div>

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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	<p>C&FS - E&T has access to C&FS data via tableau, therefore information is shared in relation to progress of reviews and plans.</p> <p>E&T - C&FS have worked extremely hard to address the backlog of EHCP assessments and the overall position was greatly improved by the end of the 2024/25 academic year. However, the demand for new EHCPs continues to rise and, significantly due to sufficiency issues, there remains a high number of students awaiting a school place to be named in their EHCP. Therefore, the risk remains that a significant demand could be placed upon transport and that the service will struggle to meet the council's statutory obligations. In addition to this there could be reputational damage and continued pressure on transport budgets. The Assisted Transport Team has improved customer communications this year to help keep parents informed regarding timelines when they apply for transport. The service also continues with workstream to improve technology and processes across the service to assist with this and potentially minimise impact</p>	 Expected to move to medium/amber
5. Safeguarding – category retired										
6. Category retired										
7. People										
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	<p>All but one Tier 1 Critical plan for the Chief Executive's Department have been assessed against the international standard (ISO 220301). Meetings are in the process of being arranged with plan owners to discuss any required updates, training required and when plans will be tested.</p> <p>There are still a number of exeternal Tier 1 plans that require assessing. It has been agreed at Resilience Planning Group (RPG) that a Business Continuity Officer (BCO) will make contact with the relevant internal council person, responsible for specific plans, to assess these in line with ISO 22301 and report back to RPG at the next meeting. Further to this as agreed at RPG, a BCO will make contact with the procurement team to consider ways of strengthening contracts in relation to Tier 1 critical service providers in relation to business continuity and future contracts.</p>	 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 budget overspends and lower service delivery.							<p>Risks currently scoring 15 and above</p> <p>C&FS - Vacancy rate of 8.38% as of June 2025. Continue to work towards being fully staffed, still struggle to recruit skilled workers, a lot of emphasis being placed on the support to assessed and supported year in employment posts (ASYE) focusing on retention, continue to have agency staff in place both to cover gaps, sickness and maternity and the cost remains significant.</p> <p>CR - Further work is required to agree a change in the apprenticeship pay policy. The aim is to take a revised policy for discussion with the unions in September. Work is ongoing to develop a corporate Work Experience scheme. The draft Talent Strategy is now complete and will be going to People Services Leadership Team for initial sign off in August.</p> <p>E&T - Multi-year funding for the department's capital programme allows for more permanent recruitment which in turn makes the Council more attractive as an employer.</p> <p>A&C - Additional recruitment and retention processes have been implemented to support hard to recruit to roles. Proposals are being developed to increase staffing capacity within the Homecare</p>	 Expected to remain high/red

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			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
			4	4	16	3	3	9	Assessment and Reablement Team (HART) service. . Risks currently scoring below 15 CE - An increase in child protection case referrals alongside a member of staff retiring and two new starters who have been promoted internally has led to urgent staffing pressures in the childcare team. Locum support being sought to help and discussions with client department ongoing about potential growth bid in their area. PH - Challenges remain but the department is recruiting and developing its own workforce.	
			3	3	9	3	2	6		
			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 new Leicestershire homecare procurement proposal (for 2026) is being presented to Cabinet in September for approval.	 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	Current demand for social care assessments remains high. Contingencies for additional staffing capacity to meet demand are being appraised.	 Expected to remain high/red
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	Reduction in the average timescale to complete EHCPs to 30 weeks but still short of the 20 weeks expected timescale. However we are seeing an increase in demand of EHCP's as a result of the pending schools white paper (due in the autumn).	 Expected to remain high/red
8. Business Continuity										

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			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
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 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	<p>Internal Business Continuity (BC) arrangements</p> <p>All but one Tier 1 Critical Plan for the Chief Executives Department. have been assessed against the international standard (ISO 220301). Meetings are in the process of being arranged with plan owners to discuss any required updates, training required and when plans will be tested. Environment and Transport Department's Tier 1 Critical Plans are scheduled to be assessed next. The BC team are working in conjunction with IT Services.</p> <p>External (Critical Service Provider) BC plans</p> <p>There are still a number of exeternal Tier 1 Critical Plans that require assessing. It has been agreed at Resilience Planning Group (RPG) that a Business Continuity Officer (BCO) will make contact with the relevant internal council person, resposible for specific plans, to assess these in line with ISO 22301 and report back to RPG at the next meeting. Further to this as agreed at RPG, a BCO will make contact with the procurment team to consider ways of strengthening contracts in relation to Tier 1 critical service providers in relation to business continuity and future contracts.</p>	 <p>Expected to remain high/red</p>
9. Environment										
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	<p>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.</p> <p>Ongoing liaison with private landowners on affected trees that pose a threat to the highway.</p>	 <p>Expected to remain high/red</p>
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	The Whetstone Waste Transfer Station (WTS) will close in October for 2 months for planned essential floor repairs	 <p>Expected to move to medium/amber</p>
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	<p>In July 2025, the Cabinet approved a change in focus in the activities delivered under the Net Zero Action Plan from carbon reduction to i) Climate adaptation and responding to severe weather events ii) Projects that deliver financial savings iii) Projects that deliver additional social, economic or environmental benefits, in support of the Council's Strategic outcomes.</p> <p>In addition, £2m from the earmarked reserve for carbon reduction was reallocated to flooding mitigation initiatives and to adapting services towards mitigating the impacts of severe weather events. (Note, a one off allocation of £2.90m was made available to support the recovery from the last two major flooding incidents in January 2024 and January 2025). The Net Zero Action Plan will be revised in line with these changes and presented to the Cabinet for approval in February 2026.</p>	 <p>Expected to remain high/red</p>

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9.5	E&T	If there are significant changes / clarifications to legislation, policy or guidance then performance could be impacted and cost increases.	5	3 (decrease from 4)	15	4	4	16	<p><u>Highways</u></p> <p>A significant change to the inspection process is being developed by the operational team in parallel with the Asset Management Programme Risk Based approach project.</p> <p><u>Waste</u></p> <p>Officers have been continuing to identify the potential impacts of proposed Emissions Trading Scheme (ETS) measures and communicate this through consultation responses and via representative bodies. Likelihood reduced given work to understand and communicate implications of the ETS through consultation</p> <p>In addition, officers have responded to the consultation on proposed changes to the landfill tax regime and have also engaged with a request for information on the near elimination of Biodegradable Municipal Waste to landfill by 2028.</p>	<p>Expected to remain high/red</p> <p>↔</p>
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

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RISKS REMOVED SINCE MAY 2023					
CRR Risk No	Dept.	Risk Description	Current Risk Score	Reason	Date of Removal
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 14/L3	The impact and likelihood score have been reduced and the risk will be managed within the project team in CFS.	22-Sep-23
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.	14/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.	14/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.	14/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 Added back to CRR 31 March 2025
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.	15/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.	15/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.	15/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	15/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.	15/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.	15/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.	14/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.	15/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

3.8 CEX If there is a failure to provide appropriate strategic and operational business intelligence then the council's policy and strategy will not be evidence-led and day-to-day service delivery, costs and reputation may be negatively impacted, including meeting statutory requirements.

14/L4 The Business Intelligence team has successfully migrated all data to a new physical server so the risk as originally outlined no longer applies.

19-Sep-25

Risk Impact Measurement Criteria

Scale	Description	Department Service Plan	Internal Operations	People	Reputation	Impact on	Impact from* ¹	Financial per annum / per loss * ²
						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

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Likelihood

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CORPORATE GOVERNANCE COMMITTEE
19 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INSURANCE SERVICE – ANNUAL REPORT 2024-25

Purpose

1. The purpose of this report is to present to the Corporate Governance Committee (the Committee) the annual report on work conducted by the Insurance Service (the Service) during the period September 2024 to August 2025.

Background

2. Financial Procedure Rule 31 states that the Chief Finance Officer (CFO) will be responsible for arranging or amending insurance cover. This will be in accordance with policies laid down by the Executive.
3. Standard Financial Instruction 18 (Insurance of Risks) stipulates arrangements for: -
 - a. advising the Executive at key stages in the process of any litigation or disputes resolution where the Council is at risk of paying significant damages or costs;
 - b. notifying the CFO immediately any fire, loss, liability or damage, or any event likely to lead to a claim;
 - c. obtaining prior approval from the CFO and the Director of Law and Governance to the terms of any indemnity which the Council is requested to give;
 - d. allowing that a chief officer may arrange to provide insurance cover against risks not normally covered by the County Council as a whole, but such cover must be arranged via the CFO.
4. The Insurance Service (the Service) directly employs 6 staff (5.6 fte). It not only arranges insurance cover and handles claims for the Council's own wide range of services, but also (on a traded basis) for ESPO and the East Midlands Freeport. The Service also receives income from administering the

Leicestershire Academies Insurance Scheme (LAIS) for academy trusts, predominantly those located within the Leicestershire boundary. Zurich Municipal are the current insurers for LAIS, but a re-procurement will be required from September 2026. From 1 October 2024, the LAIS scheme includes the remaining local authority-maintained schools.

Work undertaken during 2024-25

Insurance Programme - Re-Procurement & annual renewals process

5. The Council's insurance year runs from 1 October to 30 September. The current (2024-25) programme was arranged during 2024 in conjunction with the Council's appointed Insurance Brokers (Marsh Limited) by way of a tender utilising the Yorkshire Purchasing Organisation (YPO) framework via ESPO.
6. The tender was set by way of a Lot Structure as follows: -

<u>Lot number</u>	<u>Policies</u>	<u>Bids received</u>	<u>Awarded to</u>
1	Property, Contractors All Risks, Computers, Specified All Risks	5	Maven Public Sector
2	Combined Liability, including Employers and Public Liability, Professional and Officials Indemnity & Fidelity Guarantee	3	Maven Public Sector
3	Motor Fleet	5	Travelers Insurance Company Ltd

7. All three Lots were awarded on the basis of a 3+2+2+2 length of agreement basis with each of the winning bidders providing more advantageous quotations in terms of price and quality than the previous insurer quoted as part of their tender submission.
8. A significant decision which affects the cost-risk balance is the level of "deductible" (excess) that the Council meets from its own resources and premiums can be reduced by taking a higher deductible. The deductible is generally on a "per claim" basis, although the risk can be reduced further by including an aggregate limit which caps the total annual amount of the Council's exposure. High deductibles expose the Council to greater risk therefore robust risk management across the organisation is essential to reduce both the amounts payable in self-insured amounts and the external premium charged.

9. For 2024-25 the following deductibles/excesses were increased: -
- Employers' Liability & Public Liability – from £425,000 to £500,000
 - Professional Indemnity - £75,000 to £250,000
 - Motor Insurance - from £1,250 to £5,000 (Own damage only).
10. In preparation for the 1 October annual renewal, the Service has gathered the insurers' required data from all services, disclosed any proposed significant changes to policies and service provision and provided detailed information on the claims position. This will be sense-checked by the Council's broker in time for any negotiations in policy increases and further decisions on deductibles.

Municipal Mutual Insurance Ltd

11. Municipal Mutual Insurance Limited (MMI), the Authority's insurer between November 1969 and October 1992, ceased writing insurance business owing to financial difficulties in September 1992. MMI became subject to a Scheme of Arrangement which was triggered in November 2012.
12. Once the scheme was triggered, the Scheme Administrator reviewed the assets and liabilities of MMI in order to determine whether a Levy on Scheme Creditors was required. Based on an actuarial review by KPMG an initial 15% levy was required to achieve a projected solvent run-off. MMI has collected the original 15% levy (set in January 2014) and the additional 10% levy in April 2016. As a result, the Council (as a member of the Scheme of Arrangement) is now self-insured to the extent of 25% of any future claim payments. If the anticipated number of new claims exceeds the actuarial projections, the levy will be reviewed and may increase above the current 25%. Such an outcome is not currently anticipated but remains a possibility in the future prior to the runoff of all claims being completed.
13. The independent broker Gallaghers provides an annual review of the Scheme Administrators report, Within the 2023/24 accounts, the Scheme Administrator indicated a profit of £nil for the company in the past year (2022/23 profit was £nil). Grant Thornton remained as external auditors.
14. Some of the key comments outlined in the Scheme Administrator's strategic review were: -
- a. The current accumulated loss on the balance sheet was £nil as it was in 2022/23
 - b. Increased income from investment activities due to higher interest rates.
 - c. There has been a strengthening in the 'Incurred, But Not Reported' (IBNR) provision, which reflects increasing costs in the expected number of mesothelioma claims (usually linked to asbestos exposure) and an increase in the number of abuse claims reported during the year
 - d. There has been an increase in the number of outstanding claims and a higher volume of claims reported in-year.

- e. No further increases to the levy (from 25%) are currently anticipated.
- 15. However, as always Gallaghers comments were caveated with, 'Due to the latent nature of some claims, MMI's independent actuaries (KPMG) projections are subject to substantial uncertainty, and it is not possible to guarantee that the total levy percentage of 25% will remain sufficient'.
- 16. The impact of possible future adverse claims trends and new legislation is a key risk for potential further deterioration and levy increases. Additionally new types of latent claims may emerge in the coming years for which no provisions have so far been made. MMI's actuaries assume that the run-off of claims will continue until 2060, indicating the long-term nature of this uncertainty.
- 17. At Leicestershire County Council, MMI's position is kept under review especially in terms of the Uninsured Loss Fund.

Claims handling

- 18. The Insurance Service employs experienced claims negotiators who handle all liability claims brought against Leicestershire County Council up to the delegated authority limits as agreed with the insurer. Each claim follows a rigorous process set out in law and the Service works closely with departments to ensure claims are being assessed and determined correctly and fairly and Claims Managers regularly attend department management teams to provide advice on mitigating the risk of claims.
- 19. Claims handling delegated authority extends to full 'cradle to grave' claims handling of public and employers' liability claims. This includes investigation, determining legal liability and either repudiation (claims where liability is successfully denied) or settlement of the claim as appropriate. The Council's claims team, its Legal Services team, external solicitors and other approved experts, work in partnership to defend litigated claims.
- 20. Complex and high value claims cannot often be finalised until some years after the incident. As a result, the total cost of claims arising in each year will not be finally known for some years.
- 21. The amount actually paid from the insurance fund in each financial year (regardless of when the claim originated) on each of the major types of claims is shown below. (This does not include amounts met by insurers on large claims). Amounts paid in an individual year are variable; however, the greatest costs to the Council are from employer's & public liability and property. Within this, employer's liability claims tend to be higher value per claim but are fewer in number. These figures do not include motor claims which are handled by the insurer.

Policy Type	2022-23 (£000)	2023-24 (£000)	2024-25 (£000)
Employer's Liability (EL), Public liability (PL) & Official's indemnity (OI)	247	176	262
Own Property	0	294	130
Professional Indemnity	0	0	0
Total	247	470	392

22. The greatest numbers of claims arise from activities connected to highways maintenance. To maintain the excellent repudiation rates on highways claims (predominantly pothole damage claims) with repudiation regularly over 85%, the Council needs to maintain its scheduled inspection regime and repair defects within the specified timescales to ensure it has a defence to claims. The highways department is continuing to develop its new risk-based approach repairs policy. Any significant increase in repair times, could impact the Insurance Service claims performance.
23. The most recent balanced scorecard report, 1 July 2024 (Q2) to 30 June 2025 (Q1) reveals a high number of new claims each quarter, high repudiation rates and relatively low payments: -

	<u>Target</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>Q1</u>
Number of new insurance cases ¹ (all classes)		162	152	147	152
% claimants paid at NIL ¹ (EL, PL and OI)	90%	89%	86%	85%	87%
Total amount reserved (£m) (LCC only – EL, PL and OI)		£5.6	£4.2	£4.5	£5.2
Total amount paid out (£k) (LCC only – EL, PL and OI)		£74	£369	£239	£46

¹ includes a very small number of ESPO and academies cases

24. Pothole damage is a nationwide concern and (in conjunction with Highways colleagues) the Service regularly receives Freedom of Information (FOI) Environmental Information Regulations (EIR) requests and has to provide answers to questions on (for example): -
- number of claims made by drivers regarding pothole damage
 - total number of claims that resulted in a payout by the council
 - the total sums the council has paid out in pothole damage
 - the highest pothole damage claim payout paid
25. During the period September 2024 to July 2025 the Service provided responses to 15 FOI/EIR requests.

Mitigating risks

26. Whilst its core business is arranging appropriate cover and defending claims, the Service has a key role to play in advising departments on mitigating risks in their service provision. Some examples of advice and interaction assisting risk mitigation are shown in **Appendix 1**.

Resource Implications

27. The work of the Insurance Service helps to protect the Council's assets (and the public purse) by determining an appropriate mix of risk financing methods, defending claims against the Council, and assisting departments with their service risk mitigations.

Equality Implications

28. There are no specific equality implications contained within the annual summary of work undertaken.

Human Rights implications

29. There are no human rights implications arising from this report.

Recommendations

30. That the Committee notes the Insurance Service annual report for 2024-25.

Background Papers

The Constitution of Leicestershire County Council -
<https://democracy.leics.gov.uk/ieListMeetings.aspx?CId=1187&info=1&MD=Constitution>

Circulation under the Local Issues Alert Procedure

None

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List of Appendices

Appendix 1	Examples of advice and interaction assisting risk mitigation (2024-25)
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Examples of advice and interaction assisting risk mitigation (2024-25)

- Attendance at tribunal to defend the council's stance on information disclosable under EIR requests. Would have had national consequences for public bodies. Successfully argued that the Council's stance on non-disclosure was correct.
- The Claims Managers ran an event in conjunction with the Health, Safety & Wellbeing Service on the 31 October 2024, for LCC staff, schools and academies to explain and demonstrate how to complete an accident investigation, how it fits into the claims process and to demonstrate the cross examination of the report at trial
- Insurance Service good practice & processes recognised by and shared with neighbouring authority
- Advice on staff charity fundraising for taking part in the 3-peak challenge
- Gathered required information for broker to assist them negotiating with insurers on major incidents and other matters
- Regular attendance at E&T Management Team to discuss claims data, projects (e.g. Electric vehicle charging), areas of concerns, new Highways Policy any questions on schemes, Ash die back
- Continuous working with E&T fleet team updating processes for quicker better processing of claims and financial implication of hire costs etc
- In conjunction with H&S and external solicitors providing training to schools and academies accident reporting, risk assessments and investigation.
- Supporting colleagues across all services (especially in conjunction with legal and commissioning support) with several procurements to set appropriate insurance limits in order to protect LCC including: -
 - G-Cloud contracts
 - Electric vehicle charging points – collaboration with other LAs
 - Legionella risk assessment consultancy for buildings
 - Substance misuse and alcohol testing
 - Suicide bereavement
 - SEN tutor framework

- Supporting environmental risk issues ensuring contractors adequately covered for invasive tests, survey works, removal of effluent discharge etc
- Supporting colleagues with regards to new school projects by engaging with insurers to make sure that any new builds are future proofed so that insurers requirements are discussed and considered before work commences



CORPORATE GOVERNANCE COMMITTEE – 19 SEPTEMBER 2025

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

EAST MIDLANDS SHARED SERVICE

INTERNAL AUDIT WORK UNDERTAKEN BY NOTTINGHAM CITY COUNCIL

Purpose of Report

1. The purpose of this report is to:
 - a. Provide the Interim Team Leader, Nottingham City Council Internal Audit (NCCIA)) annual report and opinion for internal audit work undertaken at East Midlands Shared Service (EMSS) for the year 2024-25.
 - b. Provide details of the planned internal audit work at EMSS by NCCIA for the year 2025-26 and progress to date

Background

2. In 2010, Nottingham City Council (NCC) and Leicestershire County Council (LCC) formed a partnership to share their HR, Payroll and Finance IT system and jointly deliver HR administration, payroll, and finance transactional services.
3. East Midlands Shared Services (EMSS) was created on 1 September 2012. The Employee Service Centre is based at County Hall in Leicestershire and the Finance Service Centre at Loxley House in Nottingham.
4. EMSS operates through a Joint Committee (the Committee) established with Nottingham City Council and which consists of elected member representative from both authorities. The County Council's representatives on the Committee are currently Mr D. Harrison CC (Chair of the Committee) and Miss H. Butler CC. The Committee oversees and monitors the performance of EMSS and meets on a quarterly basis
5. EMSS operates on a shared IT platform. In 2018, the partner Councils procured a replacement system, Oracle Fusion Cloud, and commenced an implementation programme, 'Fit for the Future', across HR, Payroll, Finance and Procurement. The programme completed in March 2022 with the

implementation of the new system across the two Councils and EMSS. The functionality of the system is kept under constant review to identify improvements. The contract for the support provider will be repocured in 2026.

Internal Audit Provision

6. Nottingham City Council Internal Audit (NCCIA) is the designated internal audit provider for EMSS. EMSS managers are responsible for ensuring that proper standards of internal control operate within the organisation. NCCIA undertakes audits of the internal control procedures in respect of the key systems and processes run by EMSS on behalf of itself and its clients; the Annual Audit Plan continues to focus on these areas.
7. The NCCIA team meet with the EMSS Management Team on a quarterly basis to discuss the scope, draft report, and findings from the audits. The Head of EMSS aims to meet with the Sponsors' of EMSS from each Council monthly and provides them with updates as audits are completed, providing details of the findings, recommendations, and assurance. The LCC Sponsor is Simone Hines, Assistant Director of Corporate Resources.
8. Copies of the NCCIA audit reports are passed to Leicestershire County Council's Head of Internal Audit and Assurance Service (HoIAS), who will raise any questions directly with NCCIA or the Head of EMSS. The HoIAS refers to the audit work undertaken by NCCIA on the key financial systems in both his annual planning report and annual report and opinion for the County Council.
9. At its meeting on 16 June 2025, the Joint Committee received the Interim Team Leader at NCCIA annual report and opinion for internal audit work undertaken at East Midlands Shared Services (EMSS) for the year 2024-25. It was explained that three out of four planned audits had been completed and gave an overall positive opinion. The annual report and opinion are found at Appendix 1. The fourth audit was intended to look at the Oracle Fusion system. However this had been the subject of reviews in the previous years and had been found to be satisfactory, so the review was withdrawn.
10. The 2025-26 EMSS Internal Audit Plan (Appendix 2) has been discussed with the Head of EMSS and reviewed by the County Council's HoIAS. The assigned NCCIA resource has been reduced slightly as the systems have remained unchanged, and the sample testing will be reduced. If any concerns are raised during the review the testing will be extended as necessary and resourcing adjusted.

The 2025-26 Plan was approved by the Joint Committee at its meeting on 11 September 2025.

11. The Interim Team Leader at NCCIA will provide some detail on the appendices.

Resource implications

12. None

Equality Implications

13. There are no discernible equality implications resulting from the audits listed.

Human Rights

14. None

Recommendation

15. The Committee is asked to note the contents of the report.

Background Papers

The Constitution of Leicestershire County Council – Part 3 Responsibility for Functions – Joint Arrangements – East Midlands Shared Services (page 9/23)

<https://democracy.leics.gov.uk/documents/s189336/Part%203%20Responsibility%20for%20Functions.pdf>

Scrutiny Commission 8 September 2025 - East Midlands Shared Services Annual Performance Update 2024-25

<https://democracy.leics.gov.uk/documents/s191392/EMSS%20Performance%20Update%20FINAL.pdf>

Circulation under the Local Issues Alert Procedure

None.

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Appendices

1. NCC Head of Audit Update, including 2024/25 Opinion
2. EMSS Proposed Audit Plan 2025-26

NCC Head of Audit Update, including 2024/25 Opinion

1. EMSS is constituted under Joint Committee arrangements, to process payroll/HR, accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council.
2. Nottingham City Council Internal Audit is the designated Internal Audit provider for EMSS. The Council and Head of Internal Audit (HoIA) has ensured that the service has adopted and complies with the principles contained in the Public Sector Internal Audit Standards (PSIAS) and has met the requirements of the Account and Audit Regulations 2015 and associated regulations. This includes compliance with the governance requirements set down in the CIPFA Statement on the role of the Head of Internal Audit.
3. While EMSS management is responsible for maintaining effective internal control systems, the NCC Internal Audit team provides independent assurance over these processes. The audit plan is designed to focus on key systems operated by EMSS on behalf of both Councils; the Annual Audit Plan continues to focus in these areas.
4. The Audit Plan is agreed annually and reported to LCC and NCC governance committees. Reports in respect of all reviews are issued to the responsible colleagues within EMSS and final agreed versions of reports are shared with LCC colleagues. These reports include agreed recommendations within attached action plans and a level of assurance that is drawn from the findings. The Internal Audit Team meets periodically with the EMSS Management Team to discuss progress.

EMSS Audit Outturn 2024/25

5. From 2023 onwards, the NCC Internal Audit service has experienced staffing challenges, including the long term absence and subsequent resignation of the Head of Internal Audit. As a result, no formal audit opinion was issued for 2023/24.
6. A summary of the work completed for 2023/24 and 2024/25 and the associated level of assurance is as follows:

Audit	Focus	2023/24 Outcome	2024/25 Outcome
Payroll	System Control and Processes	Limited Assurance	Moderate Assurance
Accounts Receivable	System Control and Processes.	Moderate Assurance	Moderate Assurance
Accounts Payable	System Control and Processes.	Significant Assurance	Moderate Assurance

System Admin and access controls	System Control and Processes.	Moderate Assurance	*No work undertaken
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7. *No work was undertaken in 2024/25 for System Admin and Access Controls at the agreement of EMSS Head of Service.

Head of Internal Audit Opinion – 2024/25

8. On the basis of audit work undertaken during the 2024/25 financial year, the Interim Head of Internal Audit at Nottingham City Council concludes 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. Whilst the direction of travel for the three audits, from 23/24 to 24/25 has varied, substantial improvement can be seen from the Payroll Audit. This opinion is influenced by the following concerns with the audits completed:

Payroll

- Completion of monthly payroll control accounts for NCC
- Agreement of legacy balances for NCC
- Issues around the collection/creation of salary overpayments

Accounts Payable

- Segregation of duties for bank account changes

Accounts Receivable

- Issues around the collection strategy/compliance

Internal Audit Plan 2025/26 The current position of the audits in the current year’s plan is as follows:

Audit	Status
Payroll 25/26	ToR to be agreed
Accounts Receivable 25/26	ToR to be agreed
Accounts Payable 25/26	ToR to be agreed
Business Continuity 25/26	ToR to be agreed

9. We expect the work on these audits to begin the third quarter of 2025/26

Richard Green
Interim Audit Manager
7th May 2025

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EMSS Proposed Audit Plan 2025/26

Audit	Scope	Days	QR1	QR2	QR3	QR4
• Accounts Payable	To assess the effectiveness, efficiency, and integrity of the Accounts Payable (AP) function within the shared service arrangement. <ul style="list-style-type: none"> • Amendments to Supplier bank details • Timeliness of payments to suppliers and compliance to legislation • Duplicate payment identification procedures • Investigation and reporting of credit balances on supplier accounts • Regular monitoring and reporting of key performance indicators • Review of processes for new suppliers, manually entered invoices and BACS processing to ensure business as usual. 	20			20	
• Accounts Receivable	To assess whether appropriate systems, processes, and controls are in place to ensure accurate billing, timely collection of income, and appropriate management of debt across both partner authorities. <ul style="list-style-type: none"> • Debt recovery procedures, including reporting of outstanding debt and collection performance • Monitoring levels of arrears, including procedures for writing off irrecoverable debt • Follow up of previous audit recommendations • Review of processes for disputed invoices, refund of credit balances and unapplied receipts to ensure business as usual. 	20			20	
• Payroll & HR	The review will assess whether payroll transactions are accurate, timely, compliant, and appropriately authorised across both partner organisations <ul style="list-style-type: none"> • Processing of amendments to standing data • Exception reporting and management information • Reconciliation of key accounts • Review of Salary Overpayments • Follow up of previous recommendations • Review of processes for starters, leavers, amendments and BACS processing to ensure business as usual. 	20			10	10

<ul style="list-style-type: none"> Business Continuity 	<p>To assess whether effective business continuity arrangements are in place, and that these are aligned with best practice.</p> <ul style="list-style-type: none"> Governance and ownership of BC arrangements within the shared service. Existence and quality of up-to-date Business Continuity Plans (BCPs) and Disaster Recovery Plans (DRPs). Risk assessments and business impact analyses (BIAs) supporting the plans. Testing and exercising of plans and incorporation of lessons learned. Roles, responsibilities, and staff awareness of continuity procedures. Communication and testing to both partners organisations BCP's. Assurance over critical systems and third-party supplier continuity. 	15			15	
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