Leicestershire County Council

Meeting: **Corporate Governance Committee**

Date/Time: **Friday, 26 June 2026 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. J. Boam CC
Mr. M. Bools CC
Mrs. N. Bottomley CC
Mr. S. L. Bray CC
Mr. G. Cooke CC
Mr. G. Grimes
Mrs. K. Knight CC
Mr. J. McDonald CC
Mr. J. Melen CC
Mr. J. Miah CC
Mr. J. T. Orson CC
Mrs. R. Page CC
Mr. J. Pilgrim
Mr. B. Piper CC
Mr. C. Whitford CC

AGENDA

Item		Report by
1.	Election of Chairman.	
2.	Election of Deputy Chairman.	
3.	Minutes of the meeting held on 27 March 2026.	(Pages 5 - 12)
4.	Question Time.	
5.	Questions asked by members under Standing Order 7(3) and 7(5).	
6.	To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.	
7.	Declarations of interest in respect of items on the agenda.	

8.	Presentation of Petitions under Standing Order 33.		
9.	External Audit of the 2025/26 Financial Statements - Audit Progress Report.	Director of Corporate Resources	(Pages 13 - 38)
10.	Risk Management Update.	Director of Corporate Resources	(Pages 39 - 54)
11.	Annual Treasury Management Report 2025/26.	Director of Corporate Resources	(Pages 55 - 70)
12.	CIPFA Financial Management Code 2026/27.	Director of Corporate Resources	(Pages 71 - 98)
13.	Head of Internal Audit Service - Annual Report 2025/26.	Director of Corporate Resources	(Pages 99 - 152)
14.	Provisional Draft Annual Governance Statement 2025/26.	Director of Corporate Resources and Assistant Director Law and Governance	(Pages 153 - 178)
15.	Local Code of Corporate Governance.	Director of Corporate Resources and Assistant Director Law and Governance	(Pages 179 - 214)
16.	Annual Counter Fraud Report 2025/26.	Director of Corporate Resources	(Pages 215 - 244)
17.	Resilience and Business Continuity Annual Update.	Director of Public Health, Communities, Law and Governance	(Pages 245 - 252)
18.	Annual Report on the Operations of Contract Procedure Rules.	Director of Corporate Resources and Assistant Director Law and Governance	(Pages 253 - 268)
19.	Terms of Reference.	Director of Corporate Resources and Assistant Director Law and	(Pages 269 - 276)

		Governance	
20.	Annual Report of the Corporate Governance Committee 2025/26.	Director of Corporate Resources and Assistant Director Law and Governance	(Pages 277 - 294)

21. Date of next meeting.

The next meeting of the Corporate Governance Committee will be held on Friday 18 September 2026 at 10am.

22. Any other items which the Chairman has decided to take as urgent.

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Agenda Item 3

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 27 March 2026.

PRESENT

Mr. S. L. Bray CC (in the Chair)

Mr. M. Bools CC
Mrs. N. Bottomley CC
Mrs. L. Danks CC
Mr. G. Grimes
Mrs. K. Knight CC
Mr. J. McDonald CC
Mr. J. Miah CC
Mr. P. Morris CC
Mr. J. T. Orson CC
Mrs. R. Page CC
Mr. J. Pilgrim
Mr. B. Piper CC
Mrs D. Taylor CC

63. Minutes.

The minutes of the meeting held on 23 January 2026 were taken as read, confirmed and signed.

64. Question Time.

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

65. 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).

66. Urgent Items.

There were no urgent items for consideration.

67. 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.

68. Presentation of Petitions under Standing Order 33.

There were no petitions.

69. External Audit Plan 2025/26.

The Committee considered a report of the Director of Corporate Resources which presented the external audit plans for the Council and the Pension Fund for the 2025/26 financial year. A copy of the report, marked 'Agenda Item 7', is filed with these minutes.

The Chairman welcomed Ms Helen Lillington and Mr Grant Patterson from Grant Thornton LLP, the Council's external auditors, to the meeting.

Arising from the discussion, the following points were raised:

i) The backstop legislation was still in place, although the deadline for future years was being brought forward. As a result, for 2025/26, it was the aim to work towards an initial deadline of 30 November 2026. Assurance was given that the Council was well placed to meet this deadline, although Grant Thornton would work with officers to ensure it was achieved. This would involve undertaking more significant early testing during the interim audit visit.

ii) A member questioned whether there was a risk of not meeting the backstop deadline and the implications for this. In response, it was stated that if the deadline was not met, a disclaimed audit opinion would be issued, which would make it more difficult for the Council to get back on track and as no assurance could be given by the Auditor, lots of additional work would need to be carried out in future years. The Council would also be under the spotlight of MHCLG as to why it was in this position. It was acknowledged that the deadline being brought forward presented more risks than previously, although work was taking place to ensure that the Council met the deadline and officers were being encouraged to consider whether pieces of work could be carried out earlier than planned.

iii) In response to a query around how Local Government Reorganisation would impact on audits being completed, it was noted that the work around bringing services together could create blind spots. However, the majority of local authorities in Leicestershire had previously met the deadlines so the main issue would be the workload to merge everything together.

iv) It was stated that the tri-annual testing framework was undertaken every three years to revalue the Pension Fund. Following information requested from the Fund, the Actuary produced a valuation report which underpinned a roll forward approach. This was not part of the annual audit fee; instead, there was a one off cost every three years, with the amount being dependent on the number of members in the Pension Fund at that time.

v) The audit plan set out the Auditor's approach to completing the assessment of the Value for Money (VfM) arrangements at the Council for the 2025/26 financial year. The risk assessment regarding arrangements to secure value for money had identified two risks of significant weakness in relation to financial sustainability, in particular the arrangements for funding the deficit on the Dedicated Schools Grant and the arrangements in place to close the Council's budget gap in the medium term. The VfM audit would review the Council's arrangements to address these risks.

RESOLVED:

That the attached reports be noted.

70. Internal Audit Service - Progress Against the 2025/26 Internal Audit Plan and High Importance Recommendations.

The Committee considered a report of the Director of Corporate Resources which provided a summary of work undertaken by the Council's Internal Audit Service during the period 1 October 2025 – 28 February 2026, an update on progress with implementing high importance recommendations and performance against the 2025-26 Internal Audit Plan. A copy of the report, marked 'Agenda Item 8', is filed with these minutes.

The Committee had previously been informed of two major audits being completed around Adults and Children's direct payments systems. However, implementation of the recommendations arising from the audits had been delayed due to resources having to be diverted towards a nationwide issue with the prepaid card provider. The Director of Corporate Resources reported that the issues had now largely been resolved and good progress was being made with the recommendations.

In response to a member question around whether there had been any refund by the card provider, it was stated that although a refund had been received, it was difficult to get any additional payment from providers above what had initially been paid. Assurance was given that more robust measures had now been put in place by the provider to ensure that this did not happen again.

RESOLVED:

That the updates on progress on work undertaken, the implementation of high importance recommendations and the performance against the plan (all at 28 February 2026) be noted.

71. Internal Audit Service - Annual Plan 2026-27.

The Committee considered a report of the Director of Corporate Resources which presented the Internal Audit Plan for 2026-27. A copy of the report marked 'Agenda Item 9' is filed with these minutes.

Arising from the discussion, the following points were raised:

i) In response to a query around what was being considered in relation to the Members Code of Conduct, the Director of Corporate Resources stated that this would primarily be to ensure compliance, and work would take place with the Monitoring Officer to consider areas that may need to be improved.

ii) The number of days in the 2026/27 plan allocated to servicing the Committee and advising officers had reduced. Officers kept a record of time spent on specific areas of work and gauged where resources would be best allocated, based on the previous years' allocation. During 2025/26, an additional meeting of the Committee had been included in the work programme and extra time had been built in for this.

iii) A member questioned who and how it was agreed which areas to include in the annual audit plan. The Director of Corporate Resources stated that this was largely based on discussions with chief officers to develop a three year rolling

cycle of audits. However, consideration was given to the inclusion of new and emerging risks annually.

iv) It was stated that if a department was not performing well, it would not be the preference to audit this. As audits were planned in advance, guidance would be sought from the relevant chief officer if there was an area with a specific area of concern. The Internal Audit Service monitored any emerging issues and would raise this if it was felt that this was something which needed to be considered.

v) The Committee was informed that audits containing 'Operation' in their titles were investigations. The County Council was regularly involved in investigations and would only report on outcomes when they had been resolved.

vi) A member raised concern around the fact that the Internal Audit Service team currently had three vacancies and whether there was a risk that planned audits could not be carried out. It was also queried whether the increase in vacancies was connected to Local Government Reorganisation. The Director of Corporate Resources acknowledged that there could be a risk to staff due to current uncertainties regarding this, but it was unusual to have a high turnover of audit staff. To resolve the immediate issue, agency staff would be employed.

RESOLVED:

That the provisional Internal Audit Annual Plan 2026-27 be approved.

72. Risk Management Update.

The Committee considered a report of the Director of Corporate Resources which provided an update on risks in the Corporate Risk Register, emerging risks and the internal audit of the Council's risk management process. A copy of the report, marked 'Agenda Item 10', is filed with these minutes.

As part of this item, the Committee also received a presentation from the Director of Environment and Transport on the emerging risk of the significant increase in demand for reactive highway maintenance repair work to address the highest ever levels of road defects the department had seen over a winter period. A copy of the presentation is filed with these minutes.

Arising from the discussion, the following points were made:

Presentation

i) The Director of Environment and Transport explained that the level of repair work had significantly exceeded previous years, although this was a national issue. It was anticipated that the pressure on the service was likely to continue and as a result, the department had changed the way it worked. The majority of repairs carried out over the winter period had been temporary to ensure the road network remained safe, with more permanent repairs being undertaken over the summer.

ii) Some local authorities were trialling new technology on refuse lorries which would identify defects on roads. However, some of the visual inspection systems were less than 50% accurate. New technology would continue to be trialled.

iii) It was noted that the UK was now experiencing more extreme weather which was affecting the condition of the roads. Other countries with wetter and colder climates used specific materials to protect the road surface. Whilst it was not possible to retrofit the whole road network in the UK, local authorities were working with organisations to adapt the materials being used. However, there was a reluctance to invest in something new in the event that it did not work. It was noted that Leicestershire had used recycled rubber to repair some roads five years ago, and its effectiveness was being monitored.

iv) There was concern that many roads in newly built housing estates would not be adopted and therefore would not be up to the required standard. The Director gave assurance that there was a highway design guide and if developers wanted a road to be adopted, they had to meet a required standard, which included the local highway authority monitoring the condition of a road for at least twelve months.

v) It was stated that new housing estates were often built on low classification roads which were not designed to withstand heavy traffic, and it was queried whether it was possible to change how planning applications were assessed. The Director of Environment and Transport reported that any planning application had to accord with the national planning policy framework, which set the bar high for refusing an application. The authority had to consider whether the application was safe and had to be able to defend a recommendation for refusal.

vi) A member also commented that utility companies often left roads in a poor condition and requiring some repair work. The Director stated that it was possible to ask the utility companies to return to make the road back to the required standard.

vii) In response to a member query around whether it was possible for the County Council to use some of its contingency to pay for road repairs, it was stated that contingency funding was often confused with reserves. Reserves were used for already identified projects, whereas contingency was reviewed throughout the year. It was noted that potholes were prioritised from a safety critical level, which meant that some were not filled initially. The Director acknowledged how this appeared to the public, but it was not possible to fill every pothole.

viii) In terms of capacity within the team, a number of agency staff were due to commence after Easter to assist with the increased workload. The demand for highway inspectors was currently very high so it was difficult to recruit to permanent positions. The department was developing a plan for delivery over four years.

ix) A member commented that vehicles were now getting heavier, traffic on the roads was increasing and the cost of materials to repair the roads had increased. The Director stated that work was taking place to review the current strategy to ensure that there was a more innovative approach to deal with this. It was also

noted that Leicestershire was part of discussions to deliver a £13m innovation programme.

x) Compared to many other local authorities, Leicestershire paid out less in insurance claims, primarily due to the authority defending claims well and providing a better service overall. However, the general opinion of the public around potholes was not underestimated. It was the preference to use any money to repair the potholes rather than having to pay for people to get their cars repaired.

xi) A member raised concern that a number of rural roads had become 'rat runs' which had resulted in large holes in the side of the roadside due to traffic having to pull in to let oncoming traffic pass. The Director stated that all traffic was entitled to use any road, unless there was a weight restriction. However, it was acknowledged that this was an ongoing challenge – filling in holes at the roadside had ceased due to affordability but the impact of this was now being seen. Roads had to be prioritised and as such, 'A' roads would be repaired over rural roads.

xii) It was queried whether it was possible to have pothole wardens in local areas, or have a focus on repairing specific areas. This would not be possible due to potential health and safety issues and it would be difficult to deal with one area. Consideration would be given to how to communicate better with local residents.

xiii) It was requested that information around highways issues be circulated to residents so that they were more aware of the difficulties faced by local authorities. The Director stated that it was an ongoing challenge to ensure that residents were well enough informed of issues. However, although communication with the public already took place, a more specific note would be produced in conjunction with the Council's Comms Team. This could then be shared with members, the public and parish councils.

<u>Main Report</u>

xiv) Two new risks had been added to the Corporate Risk Register around Children and Family Services, one of which related to if maintained primary schools submitted significant licensed deficit budgets over time, creating a financial burden for the Council, then individual schools could fail. The Director of Corporate Resources stated that this was an area of spend which had been prioritised with district councils. However, even where an agreement was in place, there was not always sufficient funding. A presentation would be provided to a future meeting to highlight the work being undertaken.

xv) It was also felt that the new risk around if there was insufficient DfE capital funding, the Council could fail to meet its place planning requirements including SEND could increase the burden on academies. Further consideration would be given as to whether this should be expanded to cover more schools in Leicestershire and whether there was a risk on available places in schools.

xvi) A member commented that the MTFS gap had escalated to £85m and sought assurance that current mitigation plans were more than just descriptive. The Director of Corporate Resources stated that a plan was developed at the

beginning of the MTFS which was monitored throughout the year and reset annually. Assurance was given that even where budget gaps had been approved, it had been possible to close these gaps.

RESOLVED:

a) That the status of the corporate and strategic risks facing the County Council be approved;

b) That recommendations be made on any areas which might benefit from further examination;

c) That the emerging risks on the Iran war and the update on Local Government Reorganisation be noted;

d) That the outcome of the internal audit of the Council's risk management processes be noted.

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

The Committee considered a report of the Director of Public Health, Law and Governance which advised on the Authority's use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period from 1 January to 31 December 2025. The Committee was also asked to review the Covert Surveillance and the Acquisition of Communications Data Policy Statement relating to RIPA. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Assurance was given that staff within the Trading Standards Service had been trained on RIPA and the Council had a webpage which provided advice to all employees. In terms of seek authorisation, this was not required if it was an immediate response to an event.

RESOLVED:

a) That the use of the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) for the period from 1 January to 31 December 2025 be noted;

b) That the Council's Covert Surveillance and the Acquisition of Communications Data Policy Statement (which is unchanged since approval by the Cabinet in March 2021) be confirmed as remaining fit for purpose;

c) That it be agreed to continue to receive an annual report on the use of RIPA and IPA powers.

74. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Friday 26 June 2026 at 10.00am.

10.00 am - 12.10 pm CHAIRMAN
27 March 2026

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Agenda Item 9

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

EXTERNAL AUDIT OF THE 2025/26 FINANCIAL STATEMENTS - AUDIT PROGRESS REPORT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of Report

1. To present the external auditor's progress report on the audit of the County Council and the Pension Fund 2025/26 financial statements.

Background

2. Grant Thornton UK LLP, the Council's external auditor, is responsible for performing the audit of the Council's 2025/26 financial statements (and those of the Pension Fund) and reporting their opinion to those charged with governance.

3. The external auditor presented the Audit Plans to the Committee in March. The external audit includes the 2025/26 financial statements and the annual Value for Money review.

4. The draft 2025/26 financial statements are almost complete and will be published on the Council's website by the 30 June 2026 statutory deadline. Once published 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

5. The County Council and the Pension Fund are up to date with previous audited financial statements. The 2024/25 financial statements were signed in February 2026 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.

External Audit Progress Report 2025/26 – at June 2026

6. As set out in the Audit Plans, interim audits (early substantive testing) took place between February and April 2026. Good progress has been made and the final audits will begin, as planned, at the end of June (Pension Fund) and the end of

August (County Council). The audit is planned to be completed by the end of November 2026 and reported to the November Corporate Governance Committee, and the financial statements signed.

7. In addition, 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.

8. The auditor's work is currently underway with the final report planned to be reported to the Committee in November 2026.

9. The auditor has provided an update on overall progress to date for the Committee, attached as Appendix A. Representatives from Grant Thornton UK LLP will attend the Committee meeting to provide the update and answer any questions.

Sector Update

10. This section of the auditor's report provides updates and further reading for members on a number of different areas, including the role of Audit Committees, devolution and local government reorganisation and lessons from Auditor's Annual Reports on managing Dedicated Schools Grant (DSG) deficits.

Recommendations

11. The Committee is asked to note the progress of the External Audit of the financial statements.

Background papers

Report to the Corporate Governance Committee – 27 March 2026: External Audit Plan 2025/26 (County Council and Pension Fund)
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8461&Ver=4

Report to the Corporate Governance Committee – 23 January 2026: External Audit of the 2024/25 Accounts
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8460&Ver=4

Report to the Corporate Governance Committee – 24 November 2025: External Auditor's Annual Report (Value for Money Review) and External Audit of the 2024/25
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7963&Ver=4

Circulation under the Local Issues Alert Procedure

None.

Equality and Human Rights Implications

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

Appendices

Appendix A – Audit Progress Report 2025/26

Officers to Contact

Declan Keegan, Director of Corporate Resources,
Corporate Resources Department,
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Grant Thornton

Leicestershire County Council & Leicestershire County Pension Fund

Audit progress report and sector update

June 2026

Agenda

Audit Progress Report

Grant Thornton

Introduction

Helen Lillington
Key Audit Partner- Leicestershire County Council

E: helen.Lillington@uk.gt.com

Grant Patterson
Key Audit Partner- Leicestershire County Council Pension Fund

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

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: Local government | Grant Thornton

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.

Progress as at June 2026

Financial Statements Audit

The planning and risk assessment phase of our 2025/26 audit was undertaken between February and April 2026, with an earlier timetable of January to March 2026 applied to the Pension Fund audit.

The Audit Plans for both the County Council and the Pension Fund were formally presented to the Corporate Governance Committee on 27 March 2026.

As part of our planning procedures, we obtained an understanding of, and documented, the design effectiveness of key systems and processes relevant to the preparation of the financial statements. In addition, we identified and assessed the significant audit risks associated with both entities.

We have also made good progress in undertaking early substantive testing at both the County Council and the Pension Fund.

Subject to the publication of the draft financial statements, we intend to commence substantive audit fieldwork for the Pension Fund at the end of June 2026. As agreed with the Pension Fund finance team, sample selection will begin from mid-June in certain areas.

This will be followed by the County Council audit, which is scheduled to commence at the end of August. In preparation, we will undertake a two-week sample selection exercise in July and share the selected items with the County Council finance team in advance of our August visit.

Our audit findings will be reported to the November Corporate Governance Committee through our Audit Findings Report.

With specific regard to the County Council audit, on 12 May 2026 we shared a draft timeline and detailed workplan with the Council. This communication outlined the key milestones, deliverables, and audit approach required to achieve the audit opinion deadline of 30 November 2026. A copy of this correspondence is included at Appendix A.

Value for Money

Our work in the following areas is now in progress at the Council:

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 2026.

Progress as at June 2026 (continued)

Meetings

Since commencement of our work in respect of the audit year 2025/26 we have met with The Director of Corporate Resources and Deputy Director of Resources on 2nd February 2026, 11th March and 3rd June. We have also met with members of the finance teams across both the Council and Pension Fund on multiple occasions.

Senior finance officers also attended our Chief Accountants webinar which took place on 4th March 2026.

Events

We provide a range of workshops and network events.

Events taking place shortly include a webinar exploring the roles and responsibilities of Audit Committee Chairs and members, and how the Audit Committee functions within a wider governance landscape. The webinar will be held on Thursday 2nd July from 4.00pm to 5.30pm.

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Audit Fees

PSAA published their scale fees for 2025/26: 2025/26 audit fee scale - PSAA

These fees are £289,960 for the Council audit and £115,490 for the Pension Fund. These fees are derived from the procurement exercise carried out by PSAA in 2022. They reflect both the increased work auditors must now undertake as well as the scarcity of audit firms willing to do this work.

Leicestershire County Council - Audit Deliverables

Below are the audit deliverables for 2025/26:

	Responsibility	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Corporate Governance Committee (CGC) setting out our proposed approach in order to give an opinion on the Council's 2025/26 financial statements.		March 2026	Complete
Interim Testing Visit - We will select samples for testing and evidence will be provided to ensure testing is complete by end of May 2026.	Council	February and April 2026	Complete
Audit Progress Report		June 2026	Complete – this committee
Draft Financial Statements - draft financial statements as required under the Accounts & Audit Regulations 2015 (as amended)	Council	30 June 2026	Not yet due
Complete set of Supporting Working Papers - Working papers that support the draft financial statements to be provided in line with agreed timescales (per Appendix A)	Council	July and August 2026	Not yet due
Audit Progress Report		18 September 2026 CGC	Not yet due
Audit Findings Report The Audit Findings Report will be reported to the Corporate Governance Committee.		27 November 2026 CGC	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.		27 November 2026 CGC	Not yet due
Auditor's Report This includes the opinion on your financial statements.		November 2026	Not yet due

Leicestershire Pension Fund - Audit Deliverables

Below are the audit deliverables for 2025/26:

	Responsibility	Planned Date	Status
Initial Planning Inquiries	Grant Thornton and Pension Fund	February 2026	Complete
Audit Plan - We are required to issue a detailed audit plan to the Corporate Governance Committee (CGC) setting out our proposed approach in order to give an opinion on the Council's 2025/26 financial statements.	Grant Thornton	March 2026	Complete
Interim Testing Visit - We will select samples for testing and evidence will be provided to ensure testing is complete by 31 March 2026. This includes testing of the triennial membership data used to support the 2025 actuarial valuation.	Pension Fund	2 March to 31 March 2026	Complete
Audit Progress Report - An Audit Progress Report will be reported to the Corporate Governance Committee.	Grant Thornton	26 June 2026 CGC	Complete – this committee
Draft Financial Statements - draft financial statements as required under the Accounts & Audit Regulations 2015 (as amended)	Pension Fund	30 June 2026	Not yet due
Complete set of Supporting Working Papers - Working papers that support the draft financial statements	Pension Fund	30 June 2026	Not yet due
Draft Pension Fund Annual Report - Draft of Pension Fund Annual Report as required under regulation 57 of the Local Government Pension Scheme Regulations 2013	Pension Fund	31 July 2026	Not yet due
Audit Progress Report - An Audit Progress Report will be reported to the Corporate Governance Committee.	Grant Thornton	18 September 2026 CGC	Not yet due
Audit Findings Report - The Audit Findings Report will be reported to the Corporate Governance Committee.	Grant Thornton	27 November 2026 CGC	Not yet due
Auditor's Report - This includes the opinion on your financial statements.	Grant Thornton	By 30 November 2026	Not yet due
Auditor's Consistency Statement - This includes the consistency statement for inclusion within the Pension Fund Annual Report.	Grant Thornton	By 30 November 2026	Not yet due

Sector Updates

Webinar for Audit Committees and other interested parties

We invite you to register attendance at our fourth webinar for Audit Committee members and other interested parties.

Audit Committee members and other interested parties are invited to join us at a webinar on 2nd July 2026 from 4pm until 5.30 pm, to learn more about:

- The roles and responsibilities of the Audit Committee Chair and members;
- The systems, structures and behaviours needed to perform as an effective Committee;
- The importance of Audit Committee self-assessment;
- Connections between the role performed by the Committee and other parts of the governance framework – Full Council, Cabinet and Scrutiny;
- Current local government sector trends, and the importance of the new Local Audit Office; and
- Resources available for support.

Audit Committees play a pivotal role in safeguarding governance in the local government sector. An effective Audit Committee can be the gatekeeper for standards and compliance; and the guard against weakness in arrangements. Our webinar will include an opportunity for questions and answers, and give you everything you need to move forward with confidence.

Please register your place here: Effective audit committees in local government | Grant Thornton

We look forward to welcoming you.

Devolution and local government reorganisation

Audit Committee are encouraged to review our good practice checklist and reach out for latest technical updates.

Latest key developments to be aware of:

- 25th March 2026 – Government decisions published on unitary structures for four of the six Devolution Priority Programme (DPP) areas. Next steps published for the remaining two areas. Written statements - Written questions, answers and statements - UK Parliament
- 29th April 2026 – Royal Assent given to the English Devolution and Community Empowerment Act, enhancing powers and responsibilities for strategic authorities; establishing combined authorities; and strengthening local audit arrangements. English Devolution Bill receives Royal Assent - GOV.UK
- 7th May 2026 – First shadow elections held in East and West Surrey. Surrey Local Elections May 2026 results – Surrey LGR Hub

Key future dates to be aware of:

Three councils have been reported as mounting legal challenges to reorganisation. Subject to the outcome of their challenges, remaining key dates to be aware of are:

- April 2027 – Surrey shadow authorities' vesting day.
- May 2027 – Shadow elections - all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- April 2028 – Vesting day for all DPP areas except Sussex and Brighton; and reorganised new local government bodies.
- May 2028 – Shadow elections Sussex and Brighton Devolution Priority Programme areas.

Recommended reading:

- A good practice checklist for councils embarking on LGR can be found in our report: Learning from the new unitary councils.
- Audit Committees can request updated technical guidance reflecting latest developments from their Engagement Lead.

Latest changes to laws and regulations

For information: Recent legal and regulatory changes that Audit Committees need to be aware of.

Changes that Audit Committees need to be aware of:	Dates	Further information
English Devolution and Community Empowerments Act	29th April 2026 – Royal Assent	Enhanced powers and responsibilities for local government, and new local audit arrangements
Renter Rights Act	1st May 2026 – Officially took effect	Introduces new duties for local authorities to take enforcement action for beaches and tenancy law by private landlords
Social Housing Renewal Bill	13th May 2026 – King's Speech	Changes to eligibility requirements, discount rules and exemptions planned for Right to Buy
Overnight Visitor Levy Bill	13th May 2026 – King's Speech	Mayors and potentially other local leaders to be able to change new tourist taxes
Education for AI Bill	13th May 2026 – King's Speech	Planned changes to arrangements for young people with Special Educational Needs and Disabilities
Public Office (Accounting Bill)	13th May 2026 – King's Speech	Introduces new duties of candour for local authorities and other public bodies
Town and Country Planning (local Planning) (England) Regulations 2026	25th March 2026 – Statutory Instruments	New system introduced for Local Plans
Combined Authorities (overview and Scrutiny Committees, Access to Information and Audit Committees) (Amendment) Order 2026	14th May 2026 – Statutory Instruments	Provides a formal mechanism for setting commissioner allowances in Combined Authorities and Combines County Authorities
Sporting Events Bill	14th May 2026 – Impact Assessment and DCMS Memorandum	Proposes new enforcement powers for local authorities in ticketing protection

Latest changes to laws and regulations

For information: Recent legal and regulatory changes that Pension Committees and Audit Committees need to be aware of.

Changes that Audit Committees need to be aware of:	Dates	Further information
Pensions Scheme Act 2026	29 April 2026 – Royal Assent	The Act will introduce a series of reforms to defined benefit (DB) schemes and sections, to defined contribution (DC) schemes and sections, and to the Local Government Pension Scheme (LGPS).
English Devolution and Community Empowerments Act	29 April 2026 – Royal Assent	Section 98 amends section 20 of the Local Audit and Accountability Act with the aim of paving the way for the separation of LGPS financial statements from those of the administering authority. This will still require secondary legislation to bring it into force.
The Local Government Pension Scheme (Miscellaneous Amendments) (Member Benefits) Regulations 2026 (SI 2026/226)	Came into force 1 April 2026 – Statutory Instruments	Cover the first phase of the Access and Fairness proposals. The reforms address discrimination in survivor benefits regulations, make changes to the rules governing breaks in service to try to address the gender pensions gap and make some adjustments to the McCloud remedy.
The Local Government Pension Scheme (Amendment) (Elected Member Pensions) Regulations 2026 (SI 2026/346)	Came into force 11 May 2026 – Statutory Instruments	Provides mayors and councillors in England with access to the LGPS again.
The Local Government Pension Scheme (Elected Member Pensions) (Consequential Amendment) Regulations 2026 (SI 2026/410)	Came into force 11 May 2026 – Statutory Instruments	As above.
Local Government Pension Scheme (Amendment) (Governance) Regulations 2026 (SI 2026/545)	Laid before Parliament on 21 May 2026 coming into force on 30 June 2026 – Statutory Instruments	Amend the Local Government Pension Scheme Regulations 2013 (SI 2013/2356) with the aim of strengthening and updating governance arrangements applying to administering authorities
Local Government Pension Scheme (Pooling, Management and Investment of Funds) Regulations 2026 (SI 2026/544)	Laid before Parliament on 21 May 2026 coming into force on 30 June 2026 – Statutory Instruments.	Replace the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 and give legal effect to the proposals set out in the Pooling and Local Investment chapters of the 'Fit for the Future' consultation.

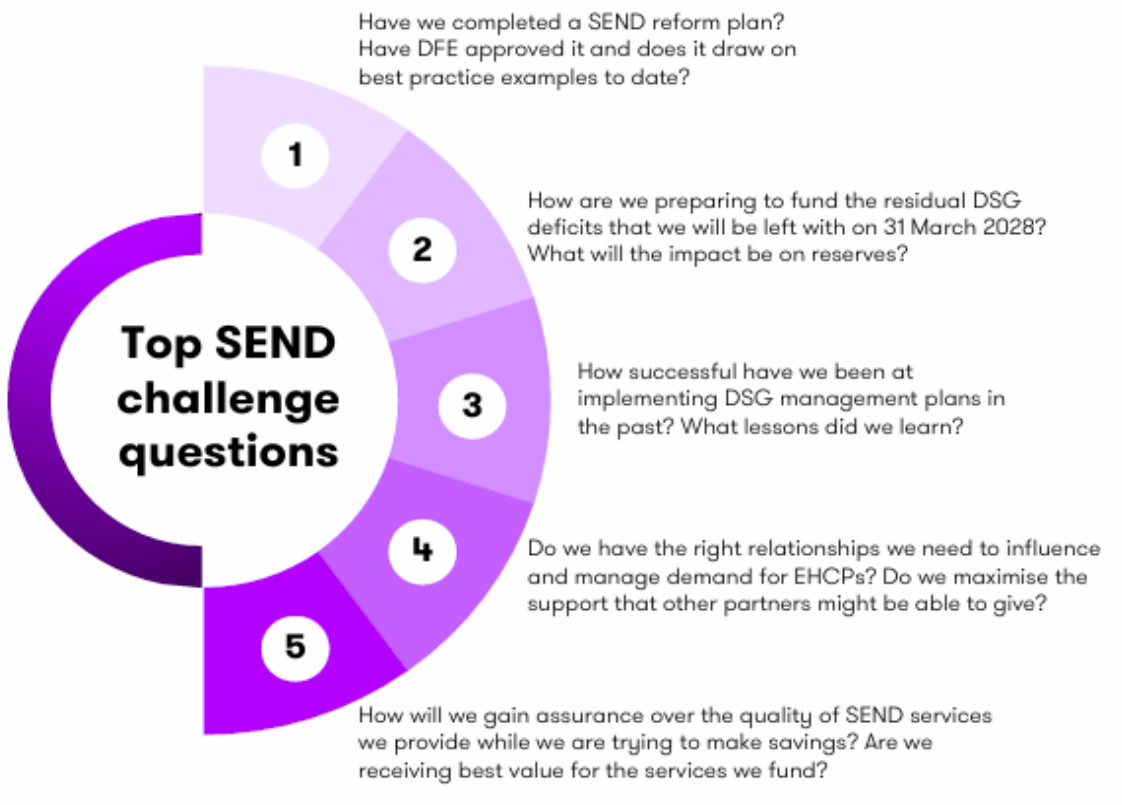
Lessons from Auditor's Annual Reports on Managing Dedicated Schools Grant Deficits

For information: Residual SEND related risks to be aware of, despite proposed reform.

Our latest report on Lessons from Auditors' Annual Reports, published on 20th May 2026, highlights lessons for Managing Dedicated Schools Grant Deficits.

- New commitments by the government to fund up to 90% of Dedicated Schools Grant deficits on 31st March 2026, if Councils can agree SEND reform plans for their area with the Department for Education (due by 19th June 2026);
- The financial risks that councils will face once statutory override ends on 31st March 2028;
- Difficulties encountered so far by councils in effective planning for the management of DSG deficits;
- The benefits of working proactively with psychologists, teachers and families to make the most of current arrangements; and
- The importance of maintaining quality and efficiency in SEND service.

With the arrival of the Education for All Bill, Audit Committee members are encouraged to ask their councils:



CIPFA Bulletin 23 – Closure of the 2025/26 financial statements

CIPFA has issued Bulletin 23 (April 2026) to support authorities in preparing the 2025/26 Statement of Accounts. The bulletin covers key areas that authorities should consider for 2025/26.

Indexation of non-investment assets

The bulletin includes a useful list of answers to frequently asked questions on indexation for preparers of accounts.

Key reminders include:

- Authorities need to adopt a five-year revaluation cycle, with indexation in intervening years, replacing more frequent revaluations.
- It applies to most property, plant and equipment, excluding council dwellings, along with leased assets if measured at valuation.
- Indexation maintains asset values in line with market changes, and authorities should continue to review asset lives and indicators of impairment.
- CIPFA do not prescribe which indices authorities may use - authorities must select appropriate indices, justify choices, and use the latest available data.
- In rare cases where no index is available a desktop valuation is required in year three.

For a full copy of Bulletin 23, see CIPFA Bulletin 23 – Closure of the 2025/26 financial statements | CIPFA

More detailed guidance on indexation is available in CIPFA's CIPFA Bulletin 22 Indexation application guidance | CIPFA

Dedicated Schools Grant (DSG) high needs stability grant

The bulletin highlights that the grant is subject to conditions, including the requirement to obtain Department for Education approval of a local SEND reform plan.

Authorities will need to consider their specific facts and circumstances (which may vary) to determine the appropriate treatment within their own 2025/26 accounts, including:

- whether or not grant income should be recognised.
- whether disclosures are necessary (eg contingent assets, events after the reporting period).

Audit Committees can help by asking:

- What assurance is available that the indexation applied is appropriate for the authority's various assets within the scope of indexation, and is supported by sufficient external evidence and professional input?
- If applicable, does the treatment of high needs stability grant appropriately reflect the requirements of the CIPFA Code, including the timing of income recognition and transparency of disclosures?

Valuing people

For information: Audit Committees need to be mindful of workforce and people-related challenges facing the sector.

The Public Services People Manager's Association held their latest Annual Conference in Birmingham in April this year and heard thoughts on whether the time is right for Chief People Officer to become a statutory role, equivalent to Monitoring and s151 Officer.

With challenges around skills retention, and with local government reorganisation creating uncertainty and instability for those employed across the sector, the timing for this debate could perhaps never be better.

Local Government Association workforce data shows that:

- More than 1 million people are directly employed by councils across England, at a cost of £35.8 billion per annum; and
- More than one million additional people are employed in council-commissioned Adult Social Care through the private sector.

In addition to those formally employed across the local government sector, the Health Foundation recently estimated that 1 in 6 adults in the UK carry out unpaid care work, providing essential top up for public services that are the statutory responsibility of local authorities.

CQC is currently consulting on proposed changes to its regulatory process. The intention is to replace 34 "Quality Statements" with 24 "Key Lines of Enquiry", looking at how local authorities deliver care and, amongst other things, lending greater weight to how local authorities work professionally with the unpaid carers whose work supports statutory provision.

Carers UK held an inaugural State of Caring conference in May 2026 hearing, amongst other things, about the tipping point unpaid carers can reach if not given the right support. CQC's change of emphasis seems a well-timed recognition of the reality of how significant elements of social care are provided across England today.

Neighbourhood health frameworks

Audit Committees need to ask their councils what steps are being taken to prepare for changes in the way they work with the NHS.

A new policy paper on Neighbourhood health frameworks was published on 17th March 2026 – setting out plans to create a new "neighbourhood health service". This:

- Builds on ambitions first set out by the government in 2025 to move the focus of health care from hospital treatment to community prevention; and
- sets out expectations for neighbourhood level partnership working across the health and care system from 2027/28 onwards (with the NHS, local authorities and community and voluntary partners).

As the NHS is embarking on a period of restructuring, and local government is reorganising at the same time, councils will need to be clear about what their responsibilities are; how they will agree local neighbourhood health objectives with partners; and how they will measure progress.

Audit Committees can help by asking officers:

- What are the risks for our council, and how are these mitigated?
- How do we identify key public health partners and agree strategic objectives with them?
- How will we measure neighbourhood health achievements?

Fit for purpose - partnerships and procurement

Audit Committees need to ask their councils how robust their leisure partnerships and procurement are.

Whilst high profile government announcements in May on the Olympics and stadium regeneration highlighted the economic importance of sport for regeneration in local areas, councils are already doing an excellent job using leisure contracts to deliver health and social care impacts in their areas.

SOLACE and Alliance Leisure held a roundtable in April 2026 highlighting the role that local authority leisure centres are starting to play in the NHS ten-year plan's health prevention agenda, including:

- Co-locating libraries and community services with leisure centres; and
- Providing clinical deliveries such as health checks and rehabilitation at leisure centres.

To make the most of the opportunities their leisure estate provides, councils need to be develop and maintain effective relationships not only with the NHS and community and voluntary groups, but also with the commercial contract partners that manage and operate the centres.

In April, one of England's largest outsourced leisure centre operators (Fusion Lifestyle), appointed administrators following multiple financial distresses built up in the wake of the Covid-19 pandemic; rising energy costs; and reduced government funding. Affected councils have had to take their leisure services back in house while they look for alternative providers.

Financial pressure is common across the sector, and there is a risk of disruption elsewhere in England.

Audit Committees can help by asking officers:

- Are our services for residents and schools at risk?
- When was the last time we checked the financial health of our contract operators?
- Do we have a register of community and voluntary sector partners that we are co-delivering social and health prevention impacts with?
- When was the last time our leisure estates strategy was updated? Are we optimising the use of the estates that we have?
- How are we measuring the performance of our leisure estates and leisure contracts?
- Where applicable, what oversight is the health scrutiny committee exercising?

Committee resources

Commentary from Grant Thornton on recovering the accounts preparation and audit timetable:

Local audit reset: What comes after the backstop? | Grant Thornton

Latest guidance and learning from Grant Thornton on local government reorganisation and devolution:

Navigating the future: The dual challenge of local Government reorganisation and devolution | Grant Thornton

Dual delivery - How can areas successfully reorganise local government and implement devolution at the same time?

Learning from the new unitary councils

Grant Thornton learning on procurement and contract management:

Local government procurement and contract management

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.

CIPFA Application Note: Global Internal Audit Standards in the UK Public Sector

Global Internal Audit Standards in the UK Public Sector | CIPFA

CIPFA Good Governance

Delivering Good Governance in Local Government Addendum

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

Appendix A - Project Management Plan for delivering the 2025-26 audit

Our ref:
Your ref:

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12 May 2026

Dear Declan

Project Management Plan for delivery the 2025-26 audit

Ahead of us starting our work on your 2025-26 Accounts, we wanted to send you a letter to set out our plans for your audit timelines for the current year. As you are aware, for years ending 31 March 2027, the backstop date moves forward to the 30th November 2027.

In order to be able to achieve the targets for the next two financial years, as a firm we are looking to put things in place to enable us to achieve the end of November 2027 deadline. To help make this achievable, we are going to undertake a dry run of finishing our work on the 2025-26 Accounts by the end of November 2026. On this basis, we would like you to assist with this process by firstly setting a Corporate Governance Committee (CGC) date in advance of the end of November 2026, to enable us to sign off our opinion by that date. We would note that the NAO has already set a requirement that our Value for Money (VfM) work is completed by 30 November each year which has been set to align with the upcoming 30 November accounts deadline.

In advance of that, we are looking to start our work on your accounts in July 2026, and we have agreed that you will provide your draft financial statements to us on 30th June. This is an important first step towards achieving closure by the end of November. From this date, we will request information from you to enable us to start initial sample selections and will then provide this to you in order for you to collate appropriate and sufficient audit evidence.

In Appendix A overleaf, we have set out some key performance measures and milestones based on the conversations that we have already had with your finance team. Appendix B provides a more detailed schedule of audit activity with planned start and completion dates that we can mutually hold each other to account to ensure that the audit is delivered in line with planned expectations. This is a summarised version of the more detailed delivery plan that the audit team have developed which goes down to individual activity level. The detailed working paper request list will now be based on this timeline and will be shared with the finance team this week. You will see from the early sample testing agreed we will select items for testing in relation to receivables and payables. This has taken longer than expected in prior years. We have highlighted this to the finance team and suggest discussions are held to streamline this process.

We will share progress against this plan as part of our regular liaison meetings to ensure that we are both fully sighted on the stage of completion and where there are potential areas of focus where action is required to get back on track. This will also act as an early warning where additional time is required, or further testing is being undertaken that might lead to additional fees and hopefully provide an opportunity to address or mitigate this.

This plan should allow us as a firm to deliver our 2025-26 audits by the end of November 2026, which will then put us in a strong position ahead of the backstop formally moving to the end of November 2027. As we move into 2026/27 our expectation is that all working papers to support the financial statements will all be available on 1 July 2027. We appreciate this will require a change on how both sides will need to work to make this a reality, but we are committed to making this happen.

We will undertake early engagement with your finance team to clearly set out our expectations and what is needed to make a success of these plans. MHCLG have asked us as a firm to report by 31 July 2026, on a case-by-case basis, our assessment of the Council's ability to both maintain and where necessary rebuild assurance. Having a clear and agreed project plan to complete all financial statements and VfM work by 30 November is a key part of this assurance.

If you have any queries or questions, then do not hesitate to let us know.

Yours sincerely,

Helen Lillington

Director, Public Sector Audit

Appendix A

APPENDIX A

Key metrics

KPI measure	Target	Achieved
Delivery of accounts by agreed audit deadline	1st July	Yes/No
Delivery of accounts by statutory deadline (30 June)	30th June	Yes/No
RAG rating of quality and completeness of draft financial statements	Green	Green – draft accounts are complete and of good quality Amber – draft accounts are complete with some missing notes or incomplete disclosures Red – draft accounts are not complete with areas of work still in progress and/or significant notes are incomplete
% of audit working papers requests available at agreed timelines	100%	X%
RAG rating of quality and completeness of working papers	Green	Green – working papers are complete and of good quality with clear cross referencing to the financial statements. Listings provided from the general ledger to support balances within the accounts are provided at a transactional level and are 'clean'. (Significant contras are removed) Amber – working papers of a reasonable quality but some additional clarification or reconciliation needed to agree to the financial statements Red – working papers are unclear and do not provide appropriate audit trail between the financial statements and the accounting records
% of audit samples returned within 5 working days	100%	X%
RAG rating of quality and completeness of audit sampling evidence	Green	Green – sample documentation is comprehensive and of good quality with clear cross referencing to the items sampled Amber – sample documentation of a reasonable quality but some additional clarification or reconciliation needed to agree to items sampled Red – sample documentation is unclear or incomplete and does not provide appropriate audit evidence to support the items sampled
Draft audit findings report issued in advance of CGC	10 days prior to CGC	Yes/No
Draft Auditors Annual report issued in advance of CGC	2 weeks prior to CGC	Yes/No
Audit opinion issued by agreed target date	30th November	Yes/No

APPENDIX B

		High level audit areas for completion
First week	6th July	Update risk assessment and initial sample selection
Second week	20th July	Further sample selection week
Core audit visit	31st August – 30th October	All testing to be completed and issues resolved by end of October.
Final visit	2nd November	Completion and reporting
Corporate Governance Committee	27th November	

Early sample selection working papers required prior to 31st August

Accounts Area – High Risk or large volume	Working papers to support sample selection to be provided by Council	Samples to be with the client	Response to sample needed from the client
Trial balance which agrees to financial statements and full ledger GL breakdown (this will be required to be completed before any sample selection)	2nd July	N/A	N/A
Land and Buildings valuation	6th July	14th July	10th August
Journals	17th July	28th July	17th August
Receivables	6th July	14th July	10th August
Payables	6th July	14th July	10th August
Grant Income	17th July	28th July	17th August
Opex – non controcc sample	17th July	28th July	17th August
Fees and charges	17th July	28th July	17th August
Completeness samples - Income	17th July	28th July	17th August
Completeness samples - Expenditure	6th July	14th July	10th August
PPE rights and obligations, additions and contractual commitments samples	17th July	28th July	17th August
REFCUS	6th July	14th July	10th August

Other working papers required prior to 31st August

Accounts Area – High Risk or large volume	Working papers to be provided by Council
Pension balances	27th July
Bank and cash	27th July
Financial instruments	27th July
Joint Arrangements	27th July

Agenda Item 10

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

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
        - Iran war (update)
        - Local Government Reorganisation (update)

Corporate Risk Register (CRR)

2. Within the County Council's Constitution (revised November 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 27 March 2026), are shown in **Appendix A**. Corporate risks reflect the Council's Strategic Plan (2022-26), which was approved by the County Council on 18 May 2022 and refreshed for 2024-26.

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

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

   Risk removed

   ALL

6. **1.9 - 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.**

   Rationale: The asylum risk score has reduced due to the closure of a Leicestershire hotel, leaving only a smaller facility in use and lowering overall exposure. This is further supported by tighter Home Office restrictions and improved community-based dispersal solutions, strengthening resilience and reducing risk.

   Presentation

7. A presentation will be provided on corporate risk #1.16 - If maintained Primary Schools submit significant licensed deficit budgets over time creating a financial burden for the Council; then individual schools may fail.

Emerging risks

Iran war (update)

8. The Council has seen a rise in supplier requests for inflationary price increases, including requests relating to highways, highways waste operations and taxis. Homecare providers may come forward with a request for higher rates

9. These requests highlighted the need for a consistent and transparent approach to reviewing evidence, contract position, affordability and service impact before any decision is made.

10. In response, a cross-functional review group has been established with input from Commercial Commissioning Support, Legal, Finance and the relevant service area to assess each request and agree a recommended position. A standard request form, contract assessment process and decision log are now being used to support consistency, approval tracking and a clear audit trail.

11. Costs are not yet financially significant since the Council is either negotiating most away or agreeing to a small increase. Work regarding taxis hasn't been finalised yet and this is the only one that could be materially cumulative as even a 2% increase could be significant.

12. Regarding supply chain, in Adults & Cultural Services the ICELS (Community Equipment service hosted in the City) are monitoring this as a risk, because of supply issues about kit being stuck in the Straits of Hormuz. There is the potential for this to raise the price of common equipment if supply becomes scarce, but it hasn't happened yet. Additionally, Adult Social Care are waiting for the new solo protect devices for lone workers which are "stuck" somewhere due to the war.

13. Other prospective impacts haven't yet materialised: -

    a. Children & Family Services - mindful of the impact on staff or children who have families in the area. The Council looks after a number of UASC from the region so are monitoring and providing support.
    b. Public Health, Communities & Law & Governance - The war has not led to a material increase in need for humanitarian assistance

Local Government Reorganisation (update)

14. The Council submitted its response to the statutory consultation on Local Government Reorganisation (LGR) by the deadline of 26 March. This set out the Council's comments on its own business plan, as well as that of the alternative plans that had been put forward within the Leicester, Leicestershire and Rutland (LLR) area.

15. It is likely that a decision on LGR will be made in July 2026. In the meantime, the Chief Executives of local authorities in LLR have met regularly and formed a working group to oversee the 'no regrets' work that central government advises local authorities that they should carry out whilst waiting for a decision.

16. As part of this, various workstreams of activity have been set up to manage some of the preparatory work. These include workstreams on Finance, Assets, Procurement, HR and others.

17. The Council has appointed an officer to coordinate and support its work around LGR, reporting into the Director of Corporate Resources. The LLR LGR lead is still awaiting appointment.

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 updates on the Iran war and 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, 16 September and 6 December 2024, 24 January, 31 March, 23 June, 19 September and 24 November 2025, 23 January 2026 and 27 March 2026.

Officers to Contact

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Appendices

Appendix A - Corporate Risk Register Update (April/May 2026)

CORPORATE RISK REGISTER – UPDATE ON RISKS **APPENDIX B**

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** 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	The Council has commissioned an external efficiency review to review its current cost base and identify further opportunities for savings and increased income. The review is now complete and Cabinet will consider the findings in May. As part of this Cabinet will approve a revised Transformation Programme and an implementation strategy. The review has identified potential savings of £27m across the MTFS period, with a stretch target approaching £60m. **A&CS** The Integrated Care Board (ICB) efficiency processes have reduced the 2026/27 budget for Discharge to Assess Risk Share by over 50% (approx. 6 months of current funding) and HART No Capacity to approximately 30% of previous funding. This is likely to impact ASC processes and spend. Review of impact being undertaken by department. Income targets for cultural services are likely to create a pressure on the departmental budget. Progress work on fees and charges will be undertaken, as part of the efficiency review.	
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	4	20	4	4	16	Continuing to explore and implement opportunities for delivering accommodation and support in alternative ways and ensuring better value for money. 16+ Support Accommodation UASC mini-tender has now been published (as of April 2026) and waiting market response; non-UASC 16+ tender being worked on with a view to publishing Summer 2026. 2026/27 Fee Review process is concluding - panel decisions have been shared with providers and any appeals with be addressed in May 2026. We recognise the changing national economic landscape and are monitoring impact on fees and starting to consider fee review approach for 2027/28 based on this and lessons learnt from current process. C&FS Commissioning Service are also continuing to refine negotiation process and use of Care Cubed calculator at point of placing to ensure we are appropriately challenging provider fees (within a complaint procurement framework and existing contractual arrangements) and this is backed up by continuation of the proactive review of placements and focus on residential stepdowns. This work is continuing to help keep average unit costs stable and there is ongoing reporting to CFS DMT Change Board of all of these initiatives.	
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	Confirmation hs been received that the Government willpay up to 90% of deficits. However, the detail and timeframe as yet to be confirmed. There also remains some uncertainty over arrangements prior to the government taking responsbility for high need spend.	

CORPORATE RISK REGISTER – UPDATE ON RISKS **APPENDIX B**

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
1.12	G, E&T	If housing and economic growth across Leicester and Leicestershire is not properly planned with effective funding mechanisms for essential infrastructure, services such as education, transport, waste, and libraries may not be delivered. This could lead to unsustainable development and harm existing communities. Where statutory duties like education or road safety are affected, the financial and delivery burden may fall on the County Council, exceeding current funding capacity.	5	4	20	4	3	12	As reported in detail to the the Committee in March 2026, the Council's co-ordinated risk management strategy to reduce the potential gap in services if development does not sufficiently contribute to the delivery of necessary infrastructure also now includes: - • Reviewing and updating contribution cost multipliers for all services • Reviewing and consulting on an updated developer contributions policy • Review of growth governance	↓
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	3 **(decrease from 4)**	15	4	3	12	Revised mini-tender for USAC 16+ Supported Accommodation (2025 attempt failed during procurement phase due to provider response) was published in April 2026 a\and tender process now underway. Award expected late Summer 2026 and implementation thereafter. Subject to award this contract will help address provision for those requiring 16+ Supported Accommodation but who are aged over 18 years, freeing up more spaces available through the Gateway2 Resources Dynamic Purhcasing System (G2R DPS) for those who are aged under 16. This will give the department greater agility in placing young people and ensuring that support needs are being met at appropriate levels and ensuring value for money. Ongoing reporting of progress of this work and future reporting on financial benefits through CFS DMT Change Board.	↔
1.14	PH, C, L&G	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	4	4	16	2	2	4	The East Midlands Gateway Development Consent Order application was accepted by the Planning Inspectorate in November 2025. The Examination of the application commenced in March 2026. Relevant Representations, Written Representations, and a Local Impact Report have been submitted to the Examination on behalf of the County Council. Officers participated in initial hearings in March and will participate in further hearings in May and August 2026, with further written submissions into the Examination until its close in September 2026. Whilst Officers continue to work with the Applicant to resolve outstanding matters of concern, there is currently no agreed scheme of highway and transport mitigation for the Local Road Network, and to date no commitment from the Applicant to address. Of particular concern are predicted increases in traffic flows through the village centres of Kegworth and Castle Donington. It is hoped that agreement can be reached before the close of the Examination.	↓

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
1.15	C&FS	If there is insufficient DfE capital funding then the Council could fail to meet its place planning requirements including SEND	5	4	20	2	3	6	A capital shortfall of over £100m for 17 new mainstream schools continues to be a significant concern. In terms of mitigation, standardised designs, value engineering and phased delivery are underway in order to reduce costs of individual developments. Corporately, a refresh of the Planning Obligations Policy is ongoing, which is needed to ensure sufficient and timely release of s106 contributions is secured for future developments. In order to meet SEND place requirements, a refresh of future place forecasting is underway to support place planning, aligned to SEND reforms and taking into account existing capital allocations. Capital Programme Board has confirmed to the DfE that LCC will accept funding offered in place of Farley Way Children & Infants Special Free School, and this school is now no longer being progressed. Funds will be used to bring forward phase 2 of the Harborough Area Special School as well as ongoing development of Enhanced Resource Base for Early Years Foundation Stage. Future sufficiency planning for SEND is likely to focus on development of Specialist Bases as part of implementation of the SEND reforms.	
1.16	C&FS	If maintained Primary Schools submit significant licensed deficit budgets over time creating a financial burden for the Local Authority; then individual schools may fail	5	4	20	5	2	10	This risk is being managed through the School Sustainability Programme. Detailed guidance has been shared with schools in order to facilitate consistent and robust budget submissions for the next submission date at end May 2026. Training is being offered to schools to ensure they correctly apply the guidance. The Programme will consider prioritisation of schools for support and reorganisation where appropriate following a review of budgets submitted in June/July 2026. Ongoing support is being provided to maintained schools in financial difficulty.	
2. Health & Social Care Integration										
2.4	A&CS C&FS PH, C, L&G	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	**A&C** - The ongoing restructuring of the ICB increases the risk of maintaining a sustainable health and care system. NHS budgetary constraints and need to increase productivity risks creating increased pressures in social care for follow on care and delays to health funding determinations. **C&FS** - ICB have progressed their plan, which has not yet been fully shared with us. At a senior level holding meetings are being held to look at how we work closely together to address the issues that are there for children and young people - health and young people provision and support. **PH** -No further update	

CORPORATE RISK REGISTER – UPDATE ON RISKS **APPENDIX B**

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
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	5	25	Revised Information Security & Acceptable Use Policy approved and will be launched with staff. This policy now enforces stricter controls for staff using corporate end user equipment i.e. laptops and smartphones and keeping equipement up to date. Public Service Network certificate (provides central governement assurance on cyber security controls) has been secured for a further 12 month. Regular, close working between ICT and Business Continity Teams is ongoing to ensure consistent delivery of Disaster and Business Continuity Plans.	⟷
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	The previous report noted an overlap with the Efficiency Review. The Target Operating Model (TOM) has since been reviewed in that context, and a report will be presented to Cabinet for final approval in due course. The TOM sets out a transition from a fragmented, reactive procurement approach to a more centralised and proactive, strategically led hub-and-spoke model, improving compliance, consistency and value for money. Improvements include: - • Centralise all procurement over £25k within the central "hub" (CSU) to strengthen legal compliance and governance. • Improve value for money through stronger category management and increased specialist capacity. • Strengthen supplier relationship management to drive savings, innovation, and social and economic value.	⟷
4.5	G, E&T C&FS	If demand for bespoke placements for children and young people with EHCPs continues to rise, then the current E&T Transport Policy could become unsustainable and will need to be revised in order to avoid significant risks to finance, policy, operation, and public perception.	4	4	16	3	3	9	SENA data continues to be collated in order to inform future strategy regarding specialist places. Understanding this will help to inform transport policy for the longer term around the requirements for alternative placements as an increase in alternative settings will have an impact on overall network efficiency as opportunities for shared journeys could reduce. Whilst the cost of transport may increase, the cost of alternative placements is likely to be lower but at this stage the net effect is unknown. The Council must meet its statutory duty in relation to transport to alternative settings whilst also balancing network efficiency. An interim (and informal) policy position and tracking of costs is therefore being established.	↓
5. Safeguarding – category retired										
6. Category retired										
7. People										

CORPORATE RISK REGISTER – UPDATE ON RISKS **APPENDIX B**

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
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	The absence rate has decreased slightly since the previous report to the 27 March Corporate Governance Committee. HR resources continue to be deployed flexibly to maximise impact. Continued attendance management in line with our Attendance Management Policy remains a key focus.	⟷
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.							**Risks currently scoring 15 and above**	⟷
			5	3	15	3	5	15	**C&FS** - Invovled with some work with the DfE to find out more about the 2year Assessed and Supported Year in Employment (ASYE) programme to look like and feed into the early carer framework that will come into force in the future. Continuing to look at how we advertise our posts including working closely with our comms team and trying to utilise social media to raise the profile - we continue to be pro-active in our recruitment of staff, we have started a new masters level apprenticeship for social work to increase the number of internal staff becoming qualified social workers. A focus of the families first programme will be how we develop and support the workforce in that new model, especially lead child protection practioners	
			4	4	16	3	3	9	**CR** - We are reviewing the end-to-end offer-to-start process to reduce the time from offer to start date. In parallel, we are developing a new starter booklet to provide essential information, set clear expectations for both the Council and employees, and reinforce LCC as a values-led employer, including the wellbeing and support available. Central Government has reformed the Apprenticeship Levy (now the Growth and Skills Levy). Guidance is being issued to levy holders, including a reduction in the fund expiry period from 24 to 12 months from April 2026. L&D continues to work with departments to maximise levy utilisation.	
			4	4 (decrease from 5)	16	3	3	9	**G, E&T** - No change to risk score. Investigating further opportunities.	
			4	4	16	3	3	9	**A&CS -** Recruitment to Social Workers, Approved Mental Health Practitioners and Occupational Therapists remains a challenge. Agency will be utilised where appropriate, until recruitment fulfilled. HART targeted recruitment and retention strategies in place to maximise reablement capacity. Community Support Worker posts including fixed term positions, require ongoing recruitment as full establishment still not reached.	
			3	4	12	3	3	9	**Risks currently scoring below 15**	
									PH, C, L&G - High turnover related to Business Continuity team	
7.3	A&CS	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	Home Care procurement evaluation near finalisation – high numbers of successful bidders with range of pricing submissions. Community Life Choices (day service opportunities) tender closed – circa 60 bids– evaluation process has started.	⟷

CORPORATE RISK REGISTER – UPDATE ON RISKS

APPENDIX B

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
7.5	A&CS	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	Additional posts have been agreed for Operational Commissioning and finance teams as part of the CQC improvement work, recruitment is underway. Artificial Intelligence pilot for Adult Social Care assessments. Department is now rolling out the AI system C tool to all staff on a phased basis.	⟷
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. 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	C&FS is seeing an increase in needs assessments due to the Schools White Paper. This is being monitored closely, they include requests for special and waiting specialist provision. There are now 657 children with EHCPs awaiting specialist placements.	⟷

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
8. Business Continuity										
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	**Internal Business Continuity (BC) arrangements** The project on testing BC plans is back on course after the slight delay due to an additional element being added to the project scope. The BC officer is close to completing the plans for Corporate Resources. This leaves both care sections to be completed. As part of the project all plan owners were asked to apply the Tier 1 risk criteria to their plans. Following on from this a number have plans have been declassified as Tier 1 plans or have been amalgamated with plans across several teams. **External (Critical Service Provider) Business Continuity (BC) plans** This is ongoing. Growth, Environment and Transport have completed their review of external Tier 1 critical supplier plans. However, there are still approximately 28 external plans outstanding from the other directorates. Regular reminders are sent out and there is an update item on the Resilience Planning Group (RPG) agenda for feedback to RPG reps. The 3-year cycle of reviewing the existing plans that have already been assessed and approved is on hold as the information required is collected from DMT plans, which is reliant on the Tier 1 review project. Also, the impact of directorate reorganisation has a bearing on both DMT plans and team plans that have been moved into the existing directorates. BC officers are assessing the impacts on the Tier 1 project and the external plans. Discussions continue with Commissioning Support Unit over assessing external critical service provider BC plans at procurement stage rather than after contracts are awarded. Whilst a job description for the role was approved within the former Chief Executives Department, the BC team is now a part of Public Health, Communities, Law & Governance, and the decision on whether this can be achieved will need to be revisited. Due to other workloads this is on hold.	
9. Environment										
9.1	G, E&T	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	3 **(Down from 4)**	15	5	2	10	Works identified from the 2025 summer survey to highway ash have been completed over winter period 2025/26. Summer ash dieback survey for Main Highways Network is due to start towards the end of June and continue over a 14 week period when trees are in full leaf and the effects of the fungus are evident and obvious. The scope of this survey is concentrated on strategic, main distributor and secondary distributor roads which are surveyed on a cyclic basis every year (according to road hierarchy). The survey will identify extent of the disease, assess LCC ash trees which require remedial works and 3rd party trees which require notification.	
9.2	G, 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	Further Waste Transfer Site works and closures will be required in 2026/27 which mean the risk cannot be lowered until these are completed. Since the start of the financial year there's been high demand across the service and the start of transfer of food waste. A fire earlier in the year at a key fridge recycling plant in the midlands has resulted in processing and storage capacity issues. The plant is now partially operational, but we expect it to take a further one to two months until up to normal capacity. There is a raised risk of disruption during this period.	

CRR Risk No.	Dept	Risk Description	Current Risk Score			*Target Risk Score			Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			Impact	Like lihood	Risk Score	Impact	Like lihood	Risk Score		
9.4	G, 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	The Climate Resilience Delivery Plan was approved by the Cabinet on 3 February 2026. Initial work to deliver the Plan has begun, including scoping / agreeing methodology for updating the Council's climate risk registers	⟷
9.5	G, E&T	If there are significant changes / clarifications to legislation, policy or guidance then performance could be impacted and cost increases.	5	3	15	4	4	16	**Highways** No further update - reorganising the inspection routes following the hierarchy review is in progress. **Waste** Whilst the Likelihood Risk score has not been raised, there is an increased risk of the impact from LGR on provision waste disposal services, increased cost and likely delay in future waste projects.	⟷
10. Category Retired										

Department

A&CS	Adults & Cultural Services
C&FS	Children & Family Services
CR	Corporate Resources
G, E&T	Growth, Environment & Transport
PH, C, L&G	Public Health, Communities, Law & Governance
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:

- A horizontal arrow shows that not much movement is expected in the risk.
- 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.
- An upwards pointing arrow would be less likely, but possible, since it would show an already high scoring risk is likely to be greater

RISKS REMOVED SINCE MAY 2024

CRR Risk No	Dept.	Risk Description	Current Risk Score	Reason	Date of Removal
4.2	E&T	If Arriva is successful in its concessionary travel appeal or the City in its challenge on the methodology of reimbursing operators, then reimbursement costs for the scheme could increase.	I5/L3	Settlement was reached which was acceptable and within the region of what was anticipated and allowed for.	20-May-24
7.4	A&C	If LCC's Charging Policy is challenged on the principles of the Norfolk Ruling, then there could be judicial review leading to signigficant financial impact and reputational damage.	I5/L3	Following consultation, a report was produced for, and approved by, Cabinet 9 Feb 2024. Updated policy to go live 8 April 2024. Likelihood score reduced from 3 to 2. No longer represents a red RAG rating	20-May-24
C	ALL	If the current cost of living crisis continues and even intensifies, or if UK Government interventions cease, then the people and businesses of Leicestershire as a whole will be significantly impacted, and the County Council will have to take some difficult decisions.	I5/L4	Inflation has stabilised and whilst there are still wider impacts ingrained within the MTFS and Children's services corporate risks, the day to day management of the cost of living crisis will be managed at department levels.	16-Sep-24
7.8	ALL	If we fail to develop, implement and maintain robust health & safety systems then there is a risk of breach and potential dangerous occurrences	I5/L4	All RIDDORS are investigated and managed by the Health Safety & Wellbeing Service (H,S&W) and reported to the Health and Safety Executive. Departments are responsible for their own risk management and subject to audits by the H,S&W Service	16-Sep-24
7.6	A&C	If A&C fail to provide robust evidence of good practice for the CQC inspectors, then this will result in a poor inspection outcome and incur reputational risk alongside extra resources and possible external governance to undertake any actions required to make the improvements necessary to fulfil statutory requirements.	I5/L3	The following actions apply to mitigate against the risk. 1. A review and update of the Self-Assessment is completed and there are plans in place. 2. Progress with the activities identified in our improvement plan are being monitored and reported via agreed governance processes. 3. The documents required for the CQC Information Return are being compiled and updated to ensure any gaps are identified and addressed prior to CQC inspection notification. 4. Communications plan developed and activities	06-Dec-24
1.11	CE	If transition to the operational stage were not finalised, then the County Council would not be fulfilling its role as lead authority and accountable body for the East Midlands Freeport.	I5/L3	Assurance was provided that the process is sufficiently advanced in the 'transition to operational' that it would be safe to remove the risk, but it will continue to be managed at department level.	24-Jan-25
1.7	CR	If the Council is not compliant with the HMRC IR35 regulations regarding the employment status for tax of self-employed personnel, then there is a risk of backdated underpaid tax and NI, interest and large financial penalties.	I4/L4	The risk was reviewed in February and there is confidence that with regular reporting requirement established, improvements and declaration of compliance of IR35 are in place and part of BAU but it will continue to be managed at department level.	31-Mar-25
9.6	E&T	If we fail to comply with the Operator's Licence, then the licence could be revoked/curtailed.	I5/L3	Current Operator Compliance Risk Score (OCRS) is less than 1 and compliance is good overall, if events occur that may increase likelihood following incidents, audits or other events then this will be updated accordingly. The risk will continue to be managed at department level.	31-Mar-25
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.	I4/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
4.5 (re-defined)	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.	I4/L4`	Considerable progress has been made in reducing C&FS backlogs and the emphasis of the risk has changed. Further details are contained in Appendix A	27-Mar-26
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.	I4/L4`	The risk score for asylum has been reduced. This change reflects the closure of one of the hotels in Leicestershire, which leaves only a smaller hotel in operation and therefore reduces the Council's overall exposure. In addition, the Home Office has introduced tighter restrictions on support for certain asylum seekers, which has had a further impact on the risk profile. We are also seeing positive progress with improved community-based solutions to asylum dispersal, which has strengthened our overall approach and resilience	26-Jun-26

Risk Impact Measurement Criteria

Scale	Description	Department Service Plan	Internal Operations	People	Reputation	Impact on the Environment	Impact from*1 the Environment	Financial per annum / per loss *2
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 serious injuries	Prolonged regional and national condemnation, with serious damage to the reputation of the organisation i.e. front-page headlines, TV. Possible criminal, or high profile, civil action against the Council, members or officers	Major regional or national impact.	Wide scale damage and risk to life	>£750k Large increase on budget/cost. Impact on whole council

* Note that a different financial rating is used for the pension fund investments

Risk Likelihood Measurement Criteria

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

Risk Scoring Matrix

Impact

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

Likelihood

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

ANNUAL TREASURY MANAGEMENT REPORT 2025/2026

Purpose of Report

1. The purpose of this report is to advise the Committee of the action taken and the performance achieved in respect of the treasury management activities in the final quarter of 2025/26 and the overall position for 2025/26.

Policy Framework and Previous Decisions

2. Under the CIPFA Code of Practice it is necessary to report on treasury management activities undertaken in 2025/26 by the end of September 2026. This report will be referred to the Cabinet on 21 July and the Committee is asked to provide comments in advance of this meeting.

Background

3. The term treasury management is defined as: -
"The management of the organisation's investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks".

4. The Director of Corporate Resources is responsible for treasury management on behalf of the County Council, under guidelines agreed annually by the County Council.

Action Taken during Quarter 4 to March 2026

Economic Background

5. The Council's treasury management adviser, MUFG Pension & Market Services (formerly Link Asset Services), provides a periodic update outlining the global economic outlook and monetary policy positions. An extract from that report is attached as Appendix A to this report. The key points are summarised in the following paragraphs.

6. Like 2024/25, UK inflation has proved stubborn throughout 2025/26. Having started the financial year at 3.5% y/y (April), the CPI measure of inflation peaked at 3.8%

from July to September, before dipping to 2.8% in March 2026. The recent upward pressure on energy costs could see CPI inflation reach 4.5% later this year.

7. Against this backdrop and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank of England Base Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). The Bank Rate currently stands at 3.75%.

8. Moreover, borrowing has become more expensive in 2025/26. UK gilt yields have risen materially by year end, and into May 2026 to their highest yields this century. Additionally, the public finances have remained under pressure. The higher than expected public net sector borrowing of £14.3bn in February was £2.2bn above last February's outturn. But that borrowing overshoot was mainly due to timing effects relating to the £13bn government debt interest payments which were the highest payment since June 2025, causing a 12.3% y/y jump in spending. On the flip side, sitting at £8.1bn, tax revenues were also higher than last February, largely on the back of solid growth in self-employment incomes in 2024/25, boosting self-assessment income tax receipts and stronger capital gains tax receipts.

Short Term Investments

9. 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 (£m)	APR (Loans Only)	WAM (Days)[1]	Maturities (£m)	APR Maturities	New Loans (£m)	APR New Loans
Current Qtr	335.6	4.15%	109	41.2	4.10%	31.0	3.85%
Prior Qtr	345.8	4.19%	167	135.8	4.37%	86.2	4.05%
Change	↓ 10.2	↓ 0.04%	↓ 58	↓ 94.6	↓ 0.27%	↓ 55.2	↓ 0.2%

[1]WAM excludes Money Market Funds as these have overnight maturity

10. The total balance available for short term investment decreased by £10.2m during the quarter.

11. As a result of the falling base rate, the APR on new loans has reduced by 0.04% quarter on quarter.

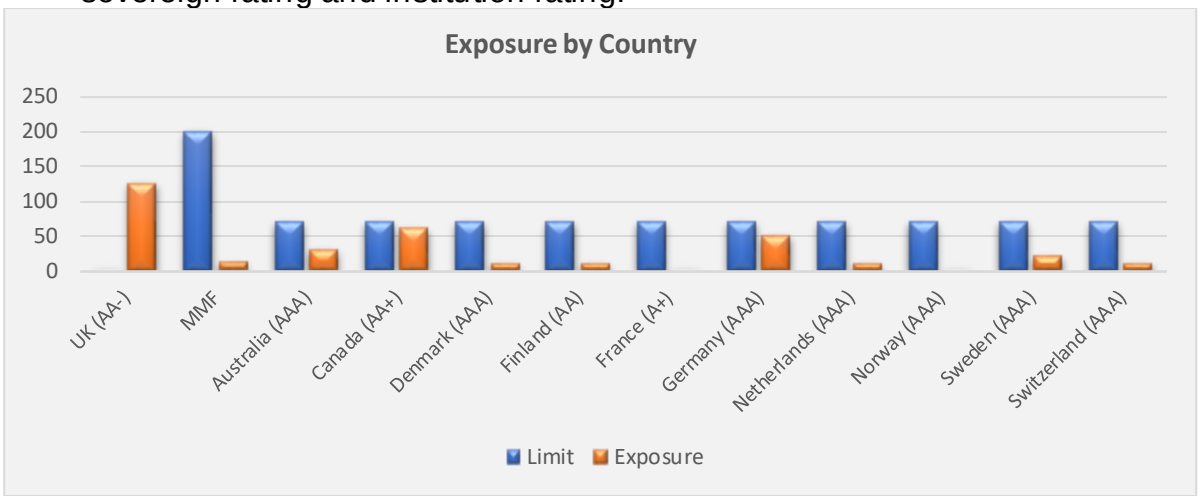
12. The loans WAM reduced by 58 days quarter on quarter as the County Council retained liquidity to repay PWLB loans.

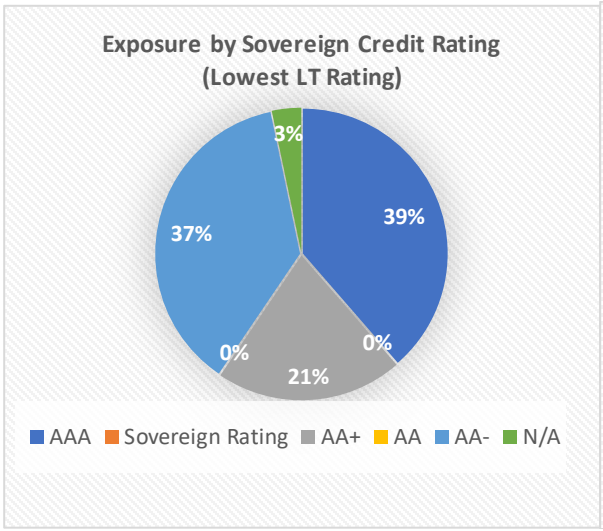
13. The loan portfolio at the end of March was invested with the counterparties shown in the table below, listed by original investment date:

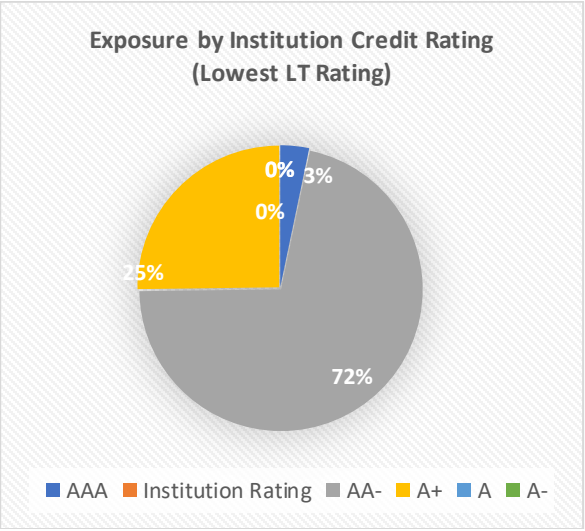
	£m	Maturity Date
Instant Access		
Money Market Funds	11.0	April 2026
6 Months		
Goldman Sachs	15.0	April 2026
12 Months		
Skandinaviska Enskilda Banken AB (SEB)	20.0	April 2026
Union Bank of Switzerland (UBS)	10.0	April 2026
Macquarie Bank	9.6	April 2026
Toronto Dominion Bank	20.0	May 2026
Bank of Montreal	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
National Westminster Bank Plc	10.0	July 2026
Lloyds Bank Plc	40.0	July 2026
Royal Bank of Canada	20.0	September 2026
National Westminster Bank Plc	10.0	September 2026
Landesbank Hessen Thuringen	10.0	September 2026
Landesbank Baden Wurtember	10.0	October 2026
Landesbank Hessen Thuringen	10.0	October 2026
Lloyds Bank Plc	15.0	October 2026
National Westminster Bank Plc	25.0	October 2026
National Westminster Bank Plc	10.0	February 2027
Cooperative Rabobank UA	10.0	February 2027
Beyond 12 Months but included in short term investments		
Danske Bank#	10.0	May 2026
Short term investments total	**335.6**	
Beyond 12 Months		
Partners Group (Private Debt) 2021	8.8	Estimated 2029
Partners Group (Private Debt) 2023	7.6	Estimated 2030
CRC CRF 5 (Bank Risk Sharing) 2022	8.7	Estimated 2030
CRC CRF 6 (Bank Risk Sharing) 2025	8.8	Estimate 2032
Pooled Property	9.2	Open ended/ Est.2026/27
Pooled Infrastructure	8.8	Open ended fund
TOTAL PORTFOLIO BALANCE: 31 March 2026	**387.5**	

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

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

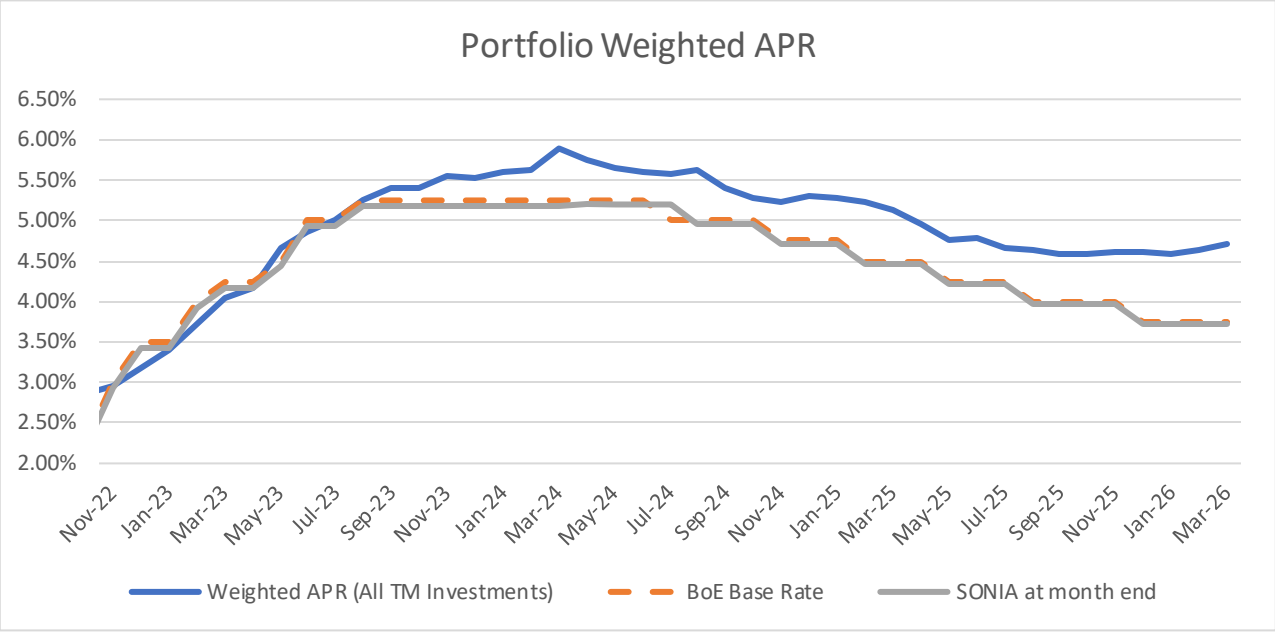






15. These graphs provide an indication of the Council's exposure to credit risk but it should be noted that long term credit rating is just one of the components used to determine the list of acceptable counterparties; short-term ratings, ratings outlook, rating watches, credit default swap movements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

16. The loan portfolio weighted APR decreased from 4.19% in Quarter 3 to 4.15% Quarter 4. This is due to reductions in the rates available in the market, in anticipation (at the time) of reductions 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 and the Sterling Overnight Index Average (SONIA) rate – the primary risk free reference rate for sterling markets. This highlights that following the base rate increases to August 2023, the weighted APR of the portfolio has since achieved a higher return in every month 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.



Investments Beyond 12 Months

17. The table below provides an overview of the investments made that were beyond 12 months when placed. This shows the current capital invested within each fund. The table also shows the Net Asset Value (NAV) and Internal Rate of Return (IRR) for each fund.

As at end of Q4					During Qtr	
	Capital invested (remaining) (£m)	NAV (£m)	IRR (Since Incep'n)	Total Income Rec'd (£m)	Capital Repaid (£m)	Income (£m)
Private Debt						
2021 MAC VI	8.8	10.1	6.85%	-3.3	-0.4	-0.2
2023 MAC VII	7.6	8.6	8.30%	-0.3	-0.9	-0.3
Bank Risk Share						
2022 CRC CFR 5	8.7	8.9	12.57%	-6.3	-1.4	-0.3
2025 CRC CRF 6	8.8	8.9	12.66%	-0.3	-0.9	-0.3
Pooled Property						
2015-19 Hermes, DTZ, Lothbury, Threadneedle	9.2	7.8	2.2%	-7.9	-0.1	-0.1
Pooled Infrastructure						
2023 JPM Infra	8.8	9.2	6.94%	-1.6	-	-0.1
Total	51.9	53.5		-19.7	-3.7	-1.3

18. The Council received distributions from the MAC VI fund during the quarter comprising a return on invested capital of £437,000 and £163,000 income.

19. The Partners MAC VII is a relatively new fund that was calling capital until September 2025. During Q4 2025/26 the Council received capital repayments of £904,000 and £333,000 income.

20. Distributions from the Christofferson Robb and Company's (CRC) Capital Relief Fund 5 (CRF 5) were received during the quarter; £1.4m return on invested capital and £283,000 income. In addition, distributions from the CRC CRF 6 fund were also received of £872,000 return on invested capital and £338,000 income.

21. Four UK commercial Pooled Property funds were committed to between 2015 and 2019. Two of the funds, Hermes and Lothbury have now been liquidated, following large investors requesting redemptions. The liquidations come at a time when property prices have fallen as interest rates rose through 2022 and 2023. During 2025/26 the final returns of capital were received which resulted in the Council recognising a loss on capital of £0.5m as at 31 March 2026. This has been funded through a charge against reserves. However, it should be noted that the Council has received over £4.7m in income from these two funds over the time of the investment.

22. The pooled infrastructure investment with JP Morgan is a globally diversified product investing in largely developed infrastructure. The commitment to this fund in 2022 was for £8.8m which was called by JP Morgan in January 2023. The fund pays regular quarterly distributions.

Loans to Counterparties that breached authorised lending list

23. During quarter 4 2025/26 there were no loans which breached the authorised lending list.

External Debt Repaid

24. During quarter 4, gilt yields, which underpin PWLB rates, rose to new 20+ year highs sufficient to consider further longer-term debt rescheduling opportunities. After consultation with the Council's Treasury Management advisors a decision was taken to repay the following loans (based on the discount rate achievable on the repayment):

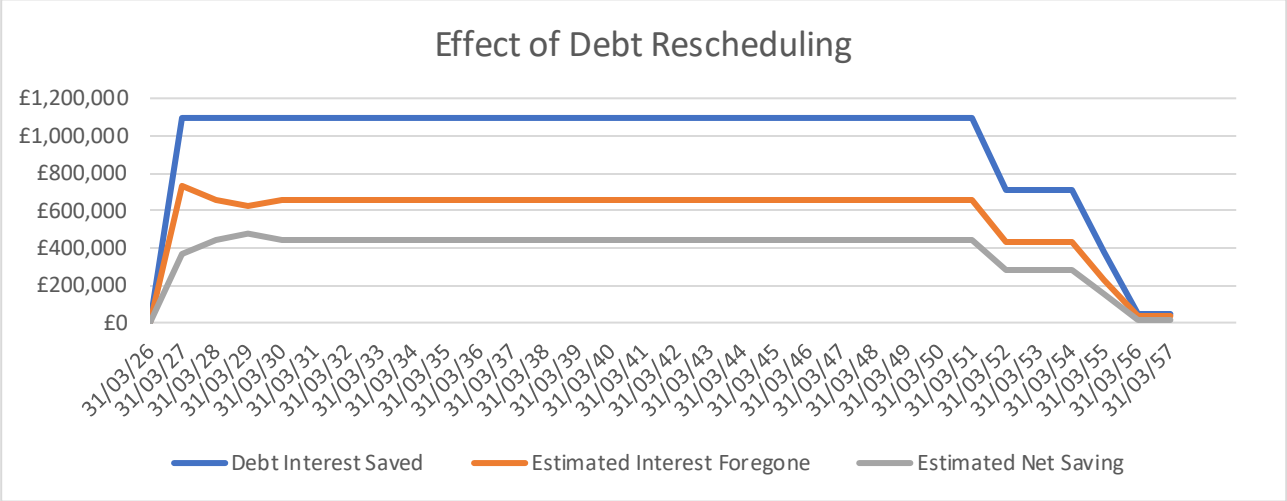
		Start Date	Maturity	Principle	Interest Rate	Interest PA	Premium/ (discount)	Premature repayment rate	Repayment Date
476844	PWLB	21/12/1995	13/12/2050	4,836,500	7.88%	380,874	1,534,134	5.51%	31/03/2026
479773	PWLB	07/08/1997	31/07/2053	4,836,500	6.88%	332,509	919,425	5.52%	31/03/2026
479772	PWLB	07/08/1997	31/07/2054	4,836,500	6.88%	332,509	933,617	5.52%	31/03/2026
480371	PWLB	29/12/1997	13/12/2056	567,057	6.25%	35,441	60,908	5.52%	31/03/2026
480372	PWLB	29/12/1997	13/12/2056	206,783	6.25%	12,924	22,213	5.52%	31/03/2026
				15,283,340	**7.16%**	**1,094,258**	**3,470,298**		

25. Repaying the above loans resulted in a premium of £3.5m, overall there was still a projected net saving to the authority to repay these loans early. This is because the effective rate of saving achieved (7.16%) significantly exceeds MUFG's forecast long-term earning rate (3.50%) per the table below.

Average earnings in each year	Now %	Previously %
2026/27	3.90	3.40
2027/28	3.50	3.30
2028/29	3.30	3.30
2029/30	3.50	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

26. By repaying external loans the Council will save nearly £1m pa in fixed interest payments. However, with lower cash balances there will be a reduction on the interest that can be earnt. The graph below shows the estimated net benefit to the authority over the remaining life of the loans.

27. The Council's actual level of external debt at 31st March 2026 was £130m, the lowest level for over 20 years. Compared with the capital financing requirement (CFR - the level of historic capital expenditure required to be funded) the Council was forecast to be £63m under borrowed as at 31 March 2026, which can be funded using internal investment balances rather than more expensive external borrowing. Part of Treasury Management activities is to manage this position – i.e. the forecasting of cash balances and the amount required to finance the CFR.



Treasury Management 2025/2026

28. The Treasury Management Strategy Statement (TMSS) for 2025/26 was considered by this committee in January 2025 and agreed by full Council in February 2025.

29. The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in counterparties or instruments commensurate with the Council's risk appetite, prioritising security, liquidity and investment return in that order of importance.

30. The second main function of treasury management is the funding of the Council's capital programme. The capital programme sets out the borrowing need of the Council and the longer-term cash flow planning, to ensure that it 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. It will also, when it is prudent and economic to do so, restructure existing long-term debt to reduce risk or costs.

31. The TMSS includes the Annual Investment Strategy and Investment Policy. The Council's investment policy has regard to the following:

- Government Guidance on Local Government Investments
- CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 ("the Code")
- CIPFA Treasury Management Guidance Notes 2021.

32. The Council's investment priorities are security first, portfolio liquidity second and then yield. The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security, liquidity, inflation expectations and with regard to the Council's risk appetite. The above guidance places a high priority on the management of risk. The Council's policy in respect of deciding which counterparties are acceptable has always been stringent. In broad terms the list of acceptable counterparties uses the list produced by the Council's treasury management advisors.

33. During the year all outstanding loans were repaid on time with the interest due.

34. In 2016 it was agreed that any counterparty that was downgraded whilst a loan was active, and where the unexpired period of the loan, or the amount on loan, would then breach the limit at which a new loan could be made to that counterparty, this would be included in the appropriate quarterly treasury management report to the Corporate Governance Committee. There were no breaches during 2025/2026.

35. Investment returns have steadily reduced throughout 2025/26 as interest rates and prospects for future interest had reduced. Starting in April 2025 at 4.5%, the BoE base rate moved down in stepped increases of 0.25%, reaching 3.75% by March 2026. MUFG Pension & Market Services latest forecasts advise that rates will remain at 3.75% until summer 2027.

36. The Council has taken a cautious approach to investing and is fully appreciative of changes to regulatory requirements for financial institutions in terms of additional capital and liquidity that came about in the aftermath of the Financial Crisis of 2008/9. These requirements have provided a far stronger basis for financial institutions, with annual stress tests by regulators evidencing how institutions are now far more able to cope with extreme stressed market and economic conditions. Nonetheless caution still needs to be exercised and the Council continues to monitor credit ratings and watches on a daily basis and confirm the counterparty list before any new loans are placed.

37. The strategy and decisions relating to the Council's long term investments (those greater than 12 months) are managed through the Council's Investing in Leicestershire Programme (IiLP) and are reported regularly to the Cabinet.

Debt Position at 31 March 2026

38. On the debt portfolio, no new loans were taken out in 2025/26. A total of £44.5m was repaid in the year, comprising:
    - £44.0m Early repayment of PWLB debt on favourable terms
      £0.5m PWLB equal instalment of principal loans (EIP)

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

	31 March 2025			31 March 2026		
	Principal	**Average Rate**	**Average Life**	**Principal**	**Average Rate**	**Average Life**
Fixed Rate Funding						
- PWLB	£81.5m	7.78%	26 yrs	£37.0m	8.39%	20 yrs
Variable Rate Funding:						
- Market (1)	£ 93.5m	4.41%	38 yrs	£ 93.5m	4.41%	37 yrs
Total Debt	£175.0m	5.98%	32 yrs	£130.5m	5.54%	32 yrs

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

40. The Authority has not raised any new external loans since August 2010. The most recent MTFS capital programme, for 2026-2030, includes a funding requirement of £65m to be funded from prudential borrowing. However, due to the strength of the County Council's balance sheet, it is expected to be possible to use internal balances to fund this on a temporary basis instead of raising new loans.

Investment Position at 31st March 2026

41. The position in respect of investments varies throughout the year due to the large inflows and outflows of cash that occur. Over the course of the year the loan portfolio varied between £387m and £477m and averaged £439m. Investments as at 31 March 2026 were £387.5m.

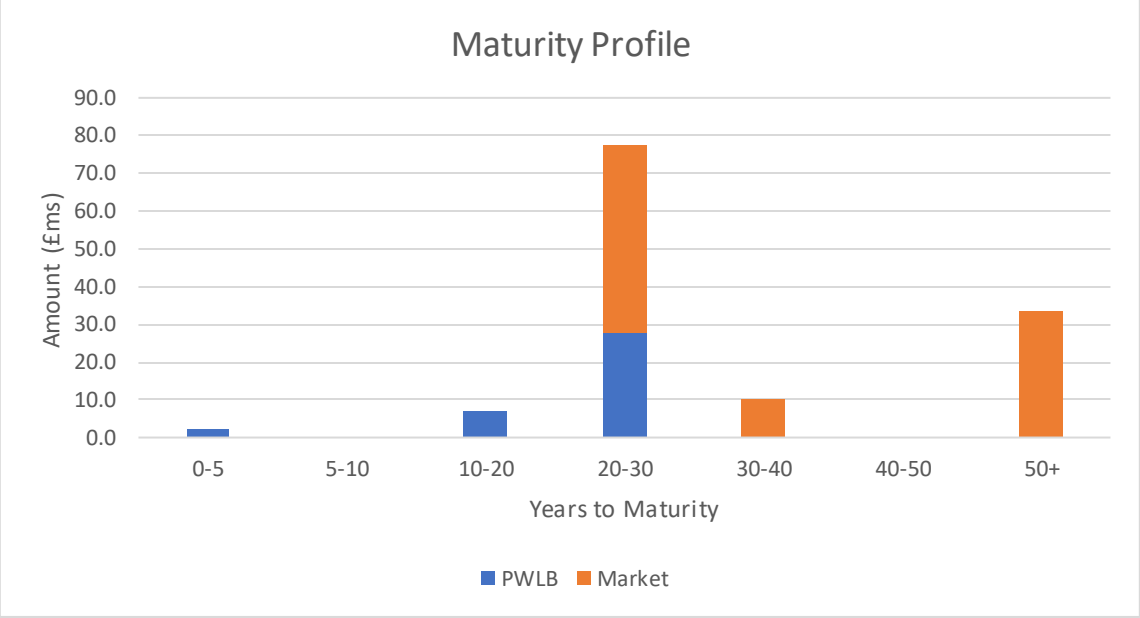
Debt Transactions

42. The Council began the financial year £22m under borrowed (actual debt) compared with the CFR - the amount required to fund the historic capital programme. This means that the Council is internally funding the difference from its cash balances – called internal borrowing – which is often at a lower cost than what it would incur on external loans. For example, current investment returns on Treasury Management balances are around 4% compared to a 30 year external loan interest rate of more than 6%. Managing this position is a key activity of the Treasury Management team.

43. At the end of the financial year, after the repayment of two tranches of external debt, in September 2025 and March 2026, and setting aside funding for the Minimum Revenue Provision (MRP) of £4.1m (to ensure that loans raised to finance capital expenditure are paid off over the longer term) the Council was £63m under-borrowed. With cash balances of £388m this position can be managed.

44. During the year, there were two favourable opportunities to reduce the Council's debt portfolio, as reported in quarterly treasury management updates. These opportunities arose due to the prevailing economic conditions at the time of repayment, with Gilt yields (which underpin PWLB rates) remaining at levels sufficient to consider long term debt rescheduling opportunities. The total debt repaid was £44.5m, all of which related to PWLB. At the end of the financial year, the debt portfolio stood at £130.5m with an average pool rate of 5.54%, as shown in the table above.

45. The maturity profile of the Council's external debt portfolio is shown in the chart below. This illustrates the long-term nature of the historic debt.



Investments

46. The overall investment portfolio produced an average return of 4.69% in 2025/2026, compared to an average base rate of 4.04% and a Sterling Overnight Index Average (SONIA) of 4.01% published daily by the BoE. The SONIA rate is based on actual transactions and reflects the average of the interest rates that banks pay to borrow sterling overnight from other financial institutions and other institutional investors. It is therefore a good proxy for the risk-free rate of investing surplus cash.

47. The loan portfolio has outperformed both the average base rate and the average SONIA in four of the last five years. The average rate of interest earned on the portfolio in the last five years is 3.49% which compares favourably to average base rate and the SONIA which have reported returns of 3.3% and 3.26% respectively.

48. The variability of balances makes it difficult to calculate the excess interest that the over performance has achieved over the whole of the five-year period, but it is estimated to be at least £4.5m.

49. The above paragraphs exclude investments greater than one year – those relating to private debt, bank risk sharing, pooled property and pooled investments which are managed as part of the IiLP. The capital value of these investments as at 31st March 2026 was £53.4m compared with the principal invested held of £51.9m, a £1.5m unrealised gain. In addition to the capital valuation since inception (December 2015) the Council has received interest payments totalling £23.6m from these investments and the current performance as measured by the internal rate of return is 4.88%.

Compliance with Prudential and Treasury Indicators

50. The Council is required to set and keep under review prudential and treasury indicators to ensure that the Council's capital investment plans are affordable, prudent and sustainable. Appendix B compares the indicators with those set and agreed by the Council at its budget meeting in February 2025. These are all within the limits set except for the 'actual capital financing costs as a percentage of net revenue stream' indicator – the increase is due to premiums on the early repayment of debt, reducing future interest costs, explained earlier in the report.

Resource Implications

51. The interest earned on revenue balances and the interest paid on external debt impact directly onto the resources available to the Council. The budgeted income for interest generated by treasury management activities for 2025/2026 was £12m, excluding the IiLP treasury investments (pooled property, pooled infrastructure, private debt and bank risk sharing investments). The actual interest received from treasury management activities at year end was £16.6m. This overperformance is due to the BoE base rate levels being higher and for longer than forecast, and higher than estimated average cash balances.

52. Average balances remain strong due to earmarked reserves, the latest phasing of spend on the capital programme and government grants received in advance. Such a significant level of interest is unlikely to be sustainably achieved in the medium to long term though given the market expectation of intertest rate reductions and as reserves are used to fund the MTFS and the capital programme.

Summary

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

Recommendations

54. It is recommended that the Committee:

    a) notes the contents of the annual report for 2025/26;

b) notes that the annual report will be submitted to the Cabinet for consideration at its meeting on 21 July 2026.That the contents of the annual report for 2025/26 be noted.

Equality and Human Rights Implications

55. None.

Background Papers

Report to County Council on 19 February 2025 – 'Medium Term Financial Strategy (MTFS) 2025/26 - 2028/29. Appendix N, 'TMS 2025-26:

https://democracy.leics.gov.uk/documents/g7391/Public%20reports%20pack%20Wednesday%2019-Feb-2025%2014.00%20County%20Council.pdf?T=10

Circulation under local issues alert procedure

None.

Appendices

Appendix A – Economic Update from MUFG Pension & Market Services
Appendix B – Prudential and Treasury Indicators

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Appendix A

The Economy and Interest Rates (From MUFG Corporate Markets: Annual Treasury Management Review 2025/26)

UK Economy

As with 2024/25, UK inflation has proved somewhat stubborn throughout 2025/26. Having started the financial year at 3.5% y/y (April), the CPI measure of inflation peaked at 3.8% from July to September, before dipping to 3% in January and February. Core inflation picked up to 3.2% in February, from 3.1%, and the recent upward pressure on energy costs could see CPI inflation breach 4.5% later this year.

Against this backdrop, the continued lack of progress in ending the Russian invasion of Ukraine, and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). Bank Rate currently stands at 3.75%.

Moreover, borrowing has becoming more expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. Additionally, the public finances have remained under pressure. The higher-than-expected public net sector borrowing of £14.3bn in February was £2.2bn above last February's outturn. But that borrowing overshoot was mainly due to timing effects relating to the £13.0bn government debt interest payment. That came in as the highest payment since June 2025, causing a 12.3% y/y jump in spending. On the flip side, sitting at £8.1bn, tax revenues were also higher than last February, largely on the back of solid growth in self-employment incomes in 2024/25, boosting self-assessment income tax receipts and stronger capital gains tax receipts.

However, the combination of some energy price support and pressures from higher inflation amid the ongoing energy price shock, higher interest rates and a weaker economy will ultimately put borrowing on an upward trend. With the rise in energy prices possibly pushing the Retail Prices Index inflation up to a peak of 5.7%, debt interest repayments will increase by about £10bn. A weaker growth profile, higher inflation, higher interest rates and gilt yields could erode about £11bn of the Chancellor's £23.6bn headroom.

The loosening in the labour market continues to bear down on wage growth. The 3myy growth rate of average earnings including bonuses slowed from 4.2% in December to 3.9% in January. Meanwhile, excluding bonuses, private earnings growth continued to fall from 3.4% to 3.3%.

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

	UK	Eurozone	US
Bank Rate	3.75%	2.0%	3.5%-3.75%
GDP	0.1%q/q Q4 (1.0%y/y)	+0.2%q/q Q4 (1.2%y/y)	0.7% Q4 Annualised
Inflation	3.0%y/y (Feb)	1.9%y/y (Feb)	2.4%y/y (Feb)
Unemployment Rate	5.2% (Jan)	6.2% (Jan)	4.4% (Feb)

The Bank of England sprung no surprises in their March meeting, leaving Bank Rate unchanged at 3.75% by a vote of 9-0, but suggesting rates may need to rise if inflation picks up markedly. The vote could best be described as moderately hawkish. The MPC stated it "stands ready to act as necessary" and "is alert to the increased risk of domestic inflationary pressures through second-round effects in wage and price-setting". Even so, we suspect the committee is likely to put equal weight on higher inflation and weaker

growth, particularly the poor macroeconomic backdrop prior to the energy shock, keeping interest rates at 3.75% this year.

10-year Gilt yields have been exceptionally volatile in the final weeks of 2025/26, troughing at around 4.23% in late February before shooting up to 5.00% (and well through that on an intraday basis). That spike was driven by the outbreak of war in the Middle East, which prompted a dramatic reassessment of investors' Bank of England policy rate expectations. Having been pricing in rate cuts in late-February, as many as four rate *hikes* were discounted by late-March. The 10-year yield ended the quarter at 4.92% with around 65bp of rate hikes priced in over the coming year. In addition to more hawkish monetary policy expectations, part of this increase in yields probably reflected an increase in term premia amid concerns that the government may react by loosening the fiscal purse strings.

As for equity markets, the FTSE 100 experienced another volatile quarter, surging to an all-time high of around 10,900 in late February, leaving it up 10% from the start of 2026, before giving back most of those gains in March after the outbreak of the Middle East conflict. That pullback leaves the index at around 10,176 at the end of the quarter. For context it was at 8,582 at the start of April. The £ has stayed relatively resilient also at $1.33, strengthening from $1.29 back in April.

US Economy

Despite a weak finish to 2025, the US economy has generally been the strongest among the developed economies, but with uncertainties growing surrounding President Trump's central economic tenet of being able to apply tariffs on an ad-hoc basis, and bend the FOMC Fed Funds rate decision-making to his will, there is something of a stalemate in place at present over when, and if, rates will be cut further in 2026.

Inflation is currently stuck at around 2.5%, unemployment is only a little above 4%, and tax refunds are in the process of being facilitated for many households. But will those refunds be – at least partially – offset by higher gasoline prices?

The S&P500 started April 2025 at 5,633 and finished March 2026 at 6,528 having peaked at just over 7,000. The 10-year Treasury yield finished March at 4.30% having been 4.17% back at the start of April, and during the year has been both above 4.50% and below 4.00%.

EZ Economy

The Eurozone economy has run pretty much in parallel with that of the UK. A slightly stronger finish to 2025 (GDP of 0.2% q/q) than that of the UK cannot hide the fact that the economy has been negatively impacted by German economic stagnation until late in 2025. France has also struggled against a difficult political backdrop, but managed to post GDP growth of 0.3% q/q for October to December.

With Eurozone headline inflation close to 2%, the ECB has been able to reduce its Deposit Rate to 2%. Whether it rises from that low point will very much be driven by how energy prices trend over the coming months. The Euro has appreciated against the dollar from 1.08 at the start of April 2025 to 1.16 at the end of March.

APPENDIX B

PRUDENTIAL INDICATORS 2025/26

	Original Indicator 2025/26	Provisional Actual as at 31/03/2026
Capital Expenditure (including Schools devolved formula capital)	£164m	£140m
Capital Financing Requirement	£196m	£193m
Actual Capital Financing Costs as a % of Net Revenue Stream	2.2%	2.6%
Net income from commercial activities as a % of net revenue stream	1%	1%
Operational Limit for External Debt	£207m	£207m
Authorised Limit for External Debt	£217m	£217m
Liability Benchmark – Gross loans requirement	£-186m	£-211m
Actual debt as at 31/3/2026 (£000's)	£176m	£130m

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Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

CIPFA FINANCIAL MANAGEMENT CODE – 2026/27

Purpose of the Report

1. The purpose of this report is to inform the Committee of the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2026/27.

Background

2. Following concerns around the financial resilience and management of local authorities, CIPFA developed the Financial Management code (the Code). This is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability.

3. The Code is based on a series of principles supported by specific standards which are considered necessary to provide the strong foundation to:

   - financially manage the short, medium- and long-term finances of a local authority,
   - manage financial resilience to meet unforeseen demands on services,
   - manage unexpected shocks in their financial circumstances.

4. The Code is consistent with other established CIPFA codes and statements in being based on principles rather than prescription. The Code incorporates CIPFA's existing requirements on local government so as to provide a comprehensive picture of financial management in an authority.

5. Each local authority must demonstrate that the requirements of the Code are being satisfied. Demonstrating this compliance with the Code is a collective responsibility of elected members, the chief finance officer and their professional colleagues in the leadership team.

6. The Code does not prescribe the financial management processes that local authorities should adopt. Instead, it requires that a local authority demonstrates that its processes satisfy the principles of good financial management for an authority of its size, responsibilities and circumstances. Good financial management is

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

7. The principles have been designed to focus on an approach which will assist in determining whether, in applying standards of financial management, a local authority is financially sustainable:

- Organisational **leadership** – demonstrating a clear strategic direction based on a vision in which financial management is embedded into organisational culture.
- **Accountability** – based on medium-term financial planning that drives the annual budget process supported by effective risk management, quality supporting data and whole life costs.
- Financial management is undertaken with **transparency** at its core using consistent, meaningful and understandable data, reported frequently with evidence of periodic officer action and elected member decision making.
- Adherence to professional **standards** is promoted by the leadership team and is evidenced.
- Sources of **assurance** are recognised as an effective tool mainstreamed into financial management, including political scrutiny and the results of external audit, internal audit and inspection.
- The long-term **sustainability** of local services is at the heart of all financial management processes and is evidenced by prudent use of public resources.

8. The last assessment for 2025/26 was presented to the Committee in June 2026.

CIPFA Financial Management Code – Assessment

9. The Code does not specify the frequency, or the financial year compliance should be reported. Some authorities report on compliance retrospectively at the end of the financial year. However, others report at the start of each financial year based on the latest Medium Term Financial Strategy and the position at the time. The Council has taken the latter approach for the latest assessment. This allows reporting of the Council's most up to date position and of any improvements where needed.

10. The self-assessment of the Council's compliance with the requirements of the Code, and areas for further development, are detailed in Appendix A. The assessment is as at May 2026. The assessment also includes an update on progress against recommendations made throughout the year by the external auditor, reported as Appendix B.

11. The assessment shows that the County Council meets the requirements of the Financial Management Code and good progress has and is being made on all external auditor recommendations.

12. The Internal Audit Service has undertaken a high level review of the 2026/27 assessment and concluded that there are no other issues to report. Reference is also made to the adoption of the Code and the identified areas for development in the Annual Governance Statement (AGS).

Equality Implications

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

Human Right Implications

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

Recommendation

15. The Committee is asked to note this report.

Background Papers

Report to the Corporate Governance Committee 23 June 2025, CIPFA Financial Management Code 2025/26.
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7961&Ver=4

Circulation under the Local Issues Alert Procedure

None

Appendix

Appendix A - Financial Management Code, self-assessment 2026/27
Appendix B – External Audit Recommendations, progress update

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APPENDIX A

Leicestershire County Council
Assessment of Compliance with the CIPFA Financial Management Code – JUNE 2026

Financial Management Standard		Current Assessment	Areas for Improvement (where needed)
CHAPTER 1 – The Responsibilities of the Chief Finance Officer and Leadership Team			
A	The leadership team is able to demonstrate that the services provided by the authority provide value for money	**Compliant** The Council reports on its performance regularly to the Corporate Management Team and in the Annual Delivery Report which summarises the work that the Council has undertaken over the last 12 months to progress its priorities set out in its Strategic Plan. A separate and related annual Performance Compendium sets out current comparative performance data using a wide range of performance measures. The compendium also includes information on the Council's low funding position, service pressures and risks. The annual delivery report and performance compendium is considered by the Cabinet, Scrutiny Commission and full Council. The latest report for 2025 was reported to the Council in December 2025. There is also a separate specific annual report by the Council's external auditor on value for money, the Annual Auditor's Report. The latest report for 2024/25 was reported to the Corporate Governance Committee in November 2025. Overall, the auditor's report was positive. They concluded that the Council has appropriate financial management, has appropriate governance arrangements in place, and appropriate performance measurement, partnership working and procurement arrangements, but like many other councils faces significant financial challenges due to the Dedicated Schools Grant (DSG) deficit. For the Council to make	Continue to action recommendations made by the external auditor. The Council is implementing further mitigations to reduce demand for and the costs of EHCP's. Since the auditors report the DfE have announced proposals to fund up to 90% of DSG deficits at 31.3.26 which will reduce the financial risk to the Council. The Council has implemented an Efficiency Review to deliver additional savings of up to £60m.

		further improvements three recommendations were made, relating to the DSG deficit, MTFS forecast funding gaps and implementation of the Council's action plan developed in response to the Care Quality Commission September 2025 inspection.	£4m growth p.a. has been included in the MTFS26-30 to support the CQC action plan.
B	The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government **Principle 1:** The CFO in a local authority is a key member of the leadership team, helping it to develop and implement strategy and to resource and deliver the authority's strategic objectives sustainably and in the public interest. **Principle 2:** The CFO in a local authority must be actively involved in, and able to bring influence to bear on, all material business decisions to ensure immediate and longer term implications, opportunities and risks are fully considered and aligned with the authority's overall financial strategy. **Principle 3:** The CFO in a local authority must lead the promotion and delivery by the whole authority of good financial management so that public money is safeguarded at all times and used appropriately, economically, efficiently, and effectively. **Principle 4:** The CFO in a local authority must lead and direct a finance function that is resourced to be fit for purpose.	**Compliant** The CFO is a member of the Corporate Management Team and is actively involved in helping to shape and deliver the County Council's Strategic Plan and Medium Term Financial Strategy (MTFS) as well as ensuring there are sufficient resources to deliver the strategies. All significant investment decisions are subject to scrutiny by the CFO and are challenged where the project is not aligned to the strategic vision of the Council. Decisions are taken in line with the Council's scheme of delegation or referred to the Cabinet for consideration where appropriate. As part of the MTFS, the CFO produces a number of financial strategies including the Annual Treasury Management strategy, the Capital strategy, the Investing in Leicestershire Programme strategy, the Reserves policy and Risk Management & Insurance Policies. The authority also has access to external technical experts, including treasury management advisors, pension fund actuarial advice and insurance advice from its brokers. All Cabinet committee reports include a Resource Implications section that allows the CFO to ensure financial implications and risks are fully communicated and considered by members. Strategic Finance Managers (Business Partner Team Managers) are members of department management teams. They support and challenge as appropriate when departments are considering matters that may have a financial bearing for the Council. The Council also provides financial training to all budget managers and budget monitors to ensure they have the skills necessary to carry out their role effectively. Informal challenge is provided through meetings between members and chief officers, with formal challenge through the Scrutiny process of the MTFS. The CFO is supported by a highly skilled team which include professionally qualified accountants and technician qualified (AAT) accountants. Finance staff are encouraged to attend technical training	

	Principle 5: The CFO in a local authority must be professionally qualified and suitably experienced.	as required to meet Continued Professional Development requirements. The CFO is a professionally qualified accountant with over 30 years of experience (20 years in local government finance), as well as maintaining CPD compliance.	
CHAPTER 2 – Governance and Financial Management Style			
C	The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control	**Compliant** The authority has in place a documented Constitution that sets out how it operates, how decisions are made and how the authority ensures that its activities are appropriate, transparent and accountable to local people. The authority has in place a formal governance structure that is appropriate for the way in which it operates. This includes relevant committees and reporting lines, terms of references and conduct, including provision for scrutiny of decisions taken. The authority has in place a formal scheme of delegation, which sets out which individuals or committees are responsible to make which decisions. The Internal Audit Service is a key part of the Council's assurance framework. The authority ensures that the Head of Internal Audit Service (HoIAS) is afforded with the necessary support and resource to be able to fulfil their role effectively, in line with the responsibilities set out in the Global Internal Audit Standards UK (public sector), the Application Note and the Code of Practice for the Governance of Internal Audit in Local Government. A self-assessment of conformance to the CIPFA Statement on the Role of the Head of Internal Audit (2019) is conducted annually. An external quality assessment (EQA) was conducted in 2024 with an outcome of 'generally conforms' (the top rating). Internal audit works to an agreed plan, which is based on a robust analysis of the authority's governance, risk management and internal control arrangements, the environment within which the authority	Continue to implement EQA improvement recommendations and the GIAS UK (public sector)

		operates and the risks and challenges that it faces. Internal audit reports to the Corporate Governance Committee. The authority has in place a robust approach to the identification, assessment and management of risks impacting on the achievement of its objectives and to the delivery of services. Responsibility for the management of individual risks is allocated clearly. The status of significant risks and their management is reported regularly to the leadership team and onwards to the Corporate Governance Committee along with more detailed focus on specific risks identified in conjunction with the Committee chair. The external auditor will attend and provide regular reports and updates to the Corporate Governance Committee. The authority has formal codes of conduct for officers and members. The authority maintains an up-to-date register of interests for all senior officers and members. The Head of Internal Audit Service oversees the development and preparation of the Council's Annual Governance Statement (AGS) and its Local Code of Corporate Governance which was updated in May 2026. Chief Officers evaluate their own departments' governance arrangements against the Local Code and report any areas for improvement. This is then collated into the AGS which is reviewed by a 'governance group' before being signed by the Chief Executive and the Leader of the Council and submitted with the annual financial statements. The External Auditor reviews the AGS.	Arrange an independent review of the Council's risk management arrangements

D	The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government**:**	**Compliant** The authority complies with the requirements of the CIPFA/SOLACE Delivering Good Governance in Local Government, which contains 7 principles. A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law. B: Ensuring openness and comprehensive stakeholder engagement. C: Defining outcomes in terms of sustainable economic, social, and environmental benefits. D: Determining the interventions necessary to optimise the achievement of the intended outcomes. E: Developing the entity's capacity, including the capability of its leadership and the individuals within it. F: Managing risks and performance through robust internal control and strong public financial management. G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability. Reporting on compliance, effectiveness and improvement is undertaken within the authority's Annual Governance Statement published alongside the audited financial statements. The most recent update was completed in May 2026 and was reported to the 26 June Corporate Governance Committee. This shows that most requirements are met with some minor improvements required.	
E	The financial management style of the authority supports financial sustainability	**Compliant** Financial sustainability is about the ability of the authority to continue to fund its activities not just in the present, but also in an increasingly uncertain future. Financial sustainability is a key fundamental of the 4 year MTFS, which is refreshed each year. The MTFS 2026-30 includes the four year revenue and capital programmes. This includes realistic estimates of funding available and budget growth required over the medium term and appropriate levels of contingencies and reserves required based on an assessment of risks and uncertainties it faces. The authority has an active and realistic savings programme. This allows it to manage savings in a controlled way and avoid the need to	

		implement savings at short notice. The transformation unit supports the identification, delivery and monitoring of savings plans. The MTFS process also means that the Council is able to understand longer term risks and plan a response to those appropriately. The MTFS for 2026-30 is balanced for 2026/27 (with the use of £15m from reserves). There are then estimated shortfalls of £34m in 2027/28 rising to £85m in 2029/30. To allow time for the Council to plan and deliver new savings the Council holds a budget equalisation reserve with sufficient cover to fund two years of funding shortfalls. In November 2025 the Council began a comprehensive review of its cost base and service delivery models, undertaken by Newton Consulting. The review has identified savings of £27m over the MTFS period 2026-30, with the potential to stretch to almost £60m of savings by 20230/31. These opportunities have been combined with the Council's existing MTFS savings plans to create a single, coherent Transformation Programme, which will be launched as the Better Leicestershire Programme. All budgets are assigned to budget managers who are required to monitor their budgets actively on a monthly basis. All budget managers are given access to financial information to enable them to do this. Budget managers forecast and explain significant variances from the budget. Finance provide support through business partners and the financial analysis and information team. Budget variances are managed both for their in year impact and where appropriate any ongoing impact in the refresh of the MTFS. Budget monitoring reports are taken regularly to the Cabinet and Scrutiny, as well as the outturn report. The external auditor reviews the financial statements and gives an opinion on the financial sustainability of the new MTFS on the Council. As reported above, the auditor has made recommendations in respect of the DSG deficit and new savings to fund MTFS shortfalls.	Continue to identify and deliver new MTFS savings.

CHAPTER 3 – Medium to Long Term Financial Management			
F	The authority has carried out a credible and transparent financial resilience assessment	**Compliant** A well-established MTFS process allows for the early identification of issues including the long term sustainability of funding. The MTFS includes prudent modelling of estimates of income and funding sources, service drivers and growth, risks and contingencies. The MTFS is contributed to, and agreed, by the senior leadership team before approval by the County Council. Savings programmes include a robust business case process reviewed by the finance and transformation teams. Approved savings are then monitored closely for delivery through departmental DMTs and corporately by the Transformation Delivery Board. The Council has a good track record of planning savings early and delivering approved MTFS savings. The MTFS 2026-30 is a four year plan covering the revenue and capital programmes. It includes a number of strategies mentioned earlier in this assessment, as recommended by the FM Code. The authority has also used the CIPFA Financial Resilience Index as part of its assessment of resilience and is in the lowest risk categories for the majority of the indices used. The authority has undertaken a review of its Transformation Programme during 2026 to ensure it is fit for purpose and to identify further opportunities to support financial sustainability. As part of the Efficiency Review the Council has also used external expertise to support this review. A revised Transformation programme was approved by the Cabinet in May 2026.	
G	The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members	**Compliant** The authority has a Strategic Plan 2022-26 that sets outs its aim and vision for the future (the Plan is currently being updated for 2026-30). The four year MTFS, which is updated annually, supports the Strategic Plan and sets out the medium term financial position of the authority,	

		including various strategies and policies that explain how risks are managed over the medium/ longer term. The authority retains appropriate reserve balances, general fund and earmarked funds (e.g. budget equalisation and insurance reserves) to manage risks over the medium term. There is a specific policy on reserve balances which is agreed as part of the MTFS. A review of the council's financial resilience is reported annually as part of the MTFS budget setting reports between December and February. The capital programme covers four years with the associated costs reported as part of the MTFS. The ongoing costs of capital investment decisions beyond the MTFS period are reported as part of the capital programme within the MTFS.	
H	The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities	**Compliant** The authority complies with the CIPFA Prudential Code for Capital Finance on an annual basis as part of the MTFS through: • a set of Prudential Indicators • an Annual Treasury Management Strategy including an Annual Investment Strategy • an annual Minimum Revenue Provision (MRP) Policy Statement; • a Capital Strategy including non-financial and treasury management investments; and • a Prudent, sustainable, affordable and value for money Capital Programme including capital expenditure and capital financing Performance is regularly reported to Corporate Governance Committee to show that the Council has operated within the approved Capital and Treasury Prudential Indicators and is compliant with the County Council's Treasury Management Practices.	
I	The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans	**Compliant/ Some Improvement needed** The authority has a well-established 4 year MTFS that is refreshed annually for the plans to be rebased for the forthcoming budget setting year to reflect the latest position in terms of funding, cost pressures, investments and savings. The latest MTFS 2026-30 is informed by	Several of the infrastructure schemes in the County have implications beyond the

		corporate and departmental service plans as part of the corporate service planning process. The MTFS includes the Capital Strategy which links to the asset management plan that seeks to ensure that its property, plant and equipment and infrastructure assets contribute effectively to the delivery of services and to the achievement of the authority's strategic aims. Where additional budget is required (Growth) the MTFS process ensures that these amounts are reviewed and challenged to ensure they are realistic and sufficient to ensure that key requirements of services are met. This involves CMT, DMT and strategic finance manager review, corporate finance review and member and officer review through meetings between members and chief officers, and member scrutiny as part of the MTFS. The provisional outturn for 2025/26 was reported to the Cabinet in May 2026. Overall, there is a net revenue underspend of £7m that has been allocated to the Efficiency review, to provide funding for the costs of work to support the development of savings to mitigate the projected shortfalls in future years' funding, debt repayment and a Highway Investment Fund to deal with the impacts of the wettest winter on record. The MTFS 2026-30 is balanced for 2026/27, with financial gaps estimated in later years due to the pressures on services and County Council funding. New savings initiatives and additional funding will be required. A pipeline of initiatives is reported alongside the MTFS, as savings under development.	usual 4-year planning horizon. For example, development of schemes in phases and retrospective claiming of section 106 funding. The planning processes needs to continually evolve to respond to this change.
CHAPTER 4 – The Annual Budget			
J	The authority complies with its statutory obligations in respect of the budget setting process	**Compliant** The Council is required by statute to set and agree an income and expenditure budget prior to the beginning of the financial year to which the budget relates.	

		The Local Government Act 2000 requires the full council to approve the annual budget, on the recommendation of the executive or equivalent, together with the associated council tax demand. The Council set a balanced budget for 2026/27 approved by the full Council in February 2026 as part of its MTFS process.	
K	The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement of the adequacy of the proposed financial reserves	**Compliant** The MTFS includes a statement in relation to the robustness of estimates made and on the adequacy of the proposed financial reserves. As part of the MTFS 2026-30, approved by the Council in February 2026, the CFO reported that "having taken account of the overall control framework, budget provisions included to support the delivery of transformation, growth to reflect spending pressures, the inclusion of a contingency for MTFS risks and the earmarked reserves and balances of the County Council, assurance can be given that the estimates are considered to be robust and the earmarked reserves adequate in the short term. If the specifically earmarked reserves are not adequate the County Council has flexibility in its approach to funding the capital programme to provide further assurance. Although this would be detrimental to the long term sustainability of the Council".	
CHAPTER 5 – Stakeholder Engagement and Business Cases			
L	The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget	**Compliant** Public consultations are undertaken for the MTFS proposals using a variety of methods to engage with stakeholders. The MTFS is published on the Council website and consultation exercises undertaken annually with stakeholders including members of the public, staff, councillors, parish and district councils and the business community within Leicestershire. A range of communications activity is used throughout the consultation period to encourage people to have their say, including: online content, intranet stories, yammer posts, media releases (X, Facebook and LinkedIn posts), Leicestershire Matters, direct emails to staff and	

		businesses as well as paper copies of appropriate information sent out where requested. This generated engagement across social media platforms and wide-ranging press coverage, helping to generate more responses Member seminars are held on a regular basis so that all Members are given opportunities to understand and challenge the budget and assumptions. Public Statutory consultations are also undertaken for specific developments/service changes. There is a requirement to undertake more active involvement of service users, stakeholders and partners in decisions about budgets, services, resource allocation and taxes at the earliest stage of preparing plans.	
M	The authority uses an appropriate documented options appraisal methodology to demonstrate the value for money of its decisions	**Compliant** The Council uses standard business case templates for development and management of projects and savings programmes. All business cases are reviewed by the relevant departmental strategic finance managers and transformation unit leads. The County Council has a very good record of starting savings plans early and delivering planned savings. Significant investment decisions are subject to a specific appraisal to assess the level of return on investment anticipated over a suitable time frame and taken to the Cabinet for approval, either as part of the MTFS or through specific reports.	
CHAPTER 6 – Monitoring Performance			
N	The leadership team takes action using reports, enabling it to identify and correct emerging risks to its budget strategy and financial sustainability	**Compliant** Monthly budget monitoring is undertaken by budget managers and agreed with strategic managers before a review and challenge by the finance team and the relevant strategic finance manager. Corporate finance review central items. This covers completeness, accuracy and explanation of material variances and actions being taken where	

		appropriate. The position is reported to the relevant departmental management teams and lead members. Overall summary reports are then compiled by corporate finance and reported to the Cabinet and Scrutiny Commission, at least quarterly every year and at the outturn. Reviews are carried out on areas of significant variances of overspend so that recovery plans can be formulated. Some areas of particular demand pressure, e.g. SEND, are the subject of additional specific reviews. Risks are updated and reported within the monitoring reports and how the risks are being managed. Alongside the savings work in the key social care and SEND areas operational reporting is developed to ensure that the teams responsible have the viability required to manage their services in a holistic way.	
O	The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability	**Compliant/ some improvement needed** The balance sheet comprises assets and liabilities of the authority and usable and unusable reserves (the latter being those that cannot be used to provide services - unrealised gains and losses and technical adjustment accounts to comply with accounting standards). The levels of usable reserves pose the most significant risk to the County Council upon its financial sustainability. Reserves are monitored at least quarterly, with regular updates to the Cabinet and Scrutiny Commission reported throughout the year. This includes the strategy on the levels of reserves and what reserves may be used for. The updates also include the current position and forecast for the end of the current year and the next four years. Other key areas of the balance sheet for the County Council include property, plant and equipment (fixed assets), investments, debtors, creditors, long term borrowing, credit loss allowance (bad debts), and the net pension liability. The authority manages the balance sheet through: • Approved capital programmes, capitalisation policy, regular valuations by qualified professionals (Fixed Assets)	Continue to ensure all balance sheet codes are monitored at least every quarter

		• Treasury management policies and how the authority selects approved counterparties for its investments (Cash and Investments) • Credit control policies for trade debtors and how the authority pursues unpaid debts (Debtors) • Management of borrowing, including the setting of the authority's prudential indicators (Borrowing) • Estimation of the Pension Liability by a professional Actuary • Estimation of Insurance Liability funds by a professional Actuary Monitoring includes: • Financial performance and its impact on usable reserves • Monitoring of investment returns and the forecasting of future cash inflows • Regular review of aged debtors and of the actions being taken to secure recovery • Forecasting of cash balances and of the authority's ability to pay amounts falling due • Monitoring of performance against the authority's prudential indicators • Assigned officers responsible for monitoring each balance sheet code.	
CHAPTER 7 – External Financial Reporting			
P	The chief finance officer has personal responsibility for ensuring that the statutory accounts provided to the local authority comply with the Code of Practice on Local Authority Accounting in the United Kingdom	**Compliant** The Statement of Accounts is prepared on an annual basis in accordance with the Accounts and Audit Regulations 2015, and the Code of Practice on Local Authority Accounting in the United Kingdom (the local authority accounting Code). This is stated within the Accounts, within the 'Statement of Responsibilities' and is signed by the Director of Corporate Resources (CFO). The County Council has consistently received an unqualified audit opinion from the external auditors. The latest opinion for 2024/25 was reported to the Corporate Governance Committee in January 2026	Continue to action recommendations made by the external auditor

		with an unqualified opinion. The draft accounts for 2025/26 are to be published by the statutory deadline of 30 June 2026. They will then be subject to external audit with the audit opinion to be reported in November 2026.	
Q	The presentation of the final outturn figures and variations from budget allow the leadership team to make strategic financial decisions	**Compliant** The outturn position is reported to the Cabinet and Scrutiny Commission. The report presents the significant variances to the approved budget with explanations of the reasons and where necessary actions being taken. Any key issues arising from the outturn figures are reflected in the budget and MTFS process.	

APPENDIX B

Leicestershire County Council
External Auditor Recommendations – Update as at June 2026

Area	Recommendation	Current Assessment
Auditor's Annual Report 31 March 2025 – Value for Money Arrangements (reported to CGC 24 November 2025) https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7963&Ver=4		
Financial Sustainability	Key recommendation : Dedicated Schools Grant deficit For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m, comprising £23.2m on High Needs Block and a £5.0m underspend on Early Years. The cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. In our prior year report we note "*At the start of 2023/24, the Council had an accumulated deficit on the High Needs Block (HNB) of DSG amounting to £35.5 million and by the end of 2023/24 this had increased to £41.2 million*." We raised an improvement recommendation. Key Recommendation : The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools.	Actions: The Council is focused on implementing further mitigations to reduce demand for EHCP's and the unit cost of providing them, alongside delivering current TSIL programme savings. The further mitigations include mainstream inclusion initiatives to reduce reliance on ISP's, policy and commissioning reviews and accelerating provision of new special school places. The issue cannot be fully resolved by the Council alone, and the governments SEND White Paper will be fundamental to the long-term sustainability of SEND. The DfE has also announced government support to local authorities with DSG deficits. This includes up to 90% grant funding for deficits as at 31/3/26 (subject to DfE approval of a local SEND reform plan), for deficits in 2026/27 and 2027/28 a commitment to 'continue to take an appropriate and proportionate approach, although it will not be unlimited', and from 2028/29 that SEND spending will be covered by the DfE. While this is positive news, no further details have been announced, and are unlikely to be announced before the statutory override ends in March 2028. As a result the MTFS continues to set aside funding towards forecast deficits after the 1 April 2026 until the position becomes clearer. This will be considered as part of the MTFS refresh later in the year. **Status:** Ongoing.

Financial Sustainability	Improvement Recommendation 1: identifying and delivering recurrent savings Key Finding: The Council's Medium Term Financial Strategy (MTFS) 2025-29 projects a gap of £4.7m in 2025/26; £38m in 2026/27, £62m in 2027/28 and £91m in 2028/29. £85m of savings has been identified, with a further £91m of GF savings requiring identification. Unless savings are achieved this will be funded though reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025. Recommendation: In order to bridge the financial gap forecast in its Medium Term Financial Strategy, the Council needs to identify and bring forward additional savings or income generation schemes at pace in order to avoid having to use reserves to balance its annual budget. As increasingly difficult decisions are taken, public transparency on their effectiveness is important. The Council should therefore consider reporting separately on savings plans and savings delivery.	The refreshed MTFS for 2026-30 was approved by the Council in February 2026 which showed the 2026/27 budget was balanced (after £15m from reserves). There are then estimated shortfalls of £34m in 2027/28 rising to £85m in 2029/30. To allow time for the Council to plan and deliver new savings the Council holds a budget equalisation reserve with sufficient cover to fund two years of funding shortfalls. In November 2025, in addition to its existing savings programme, the Council began a comprehensive review of its cost base and service delivery models, undertaken by Newton Consulting. The review has identified additional savings of £27m over the MTFS period 2026-30, with the potential to stretch to almost £60m of savings by 20230/31. These opportunities have been combined with the Council's existing MTFS savings plans to create a single, coherent Transformation Programme, which will be launched as the Better Leicestershire Programme. The updated position will be considered as part of the MTFS refresh later in the year. **Status:** Ongoing
Improving economy, efficiency and effectiveness	Improvement Recommendation 2: responding to the Care Quality Commission Key Finding: In their September 2025 inspection report the Care Quality Commission (CQC) assessed the Council as "Requires Improvement". Recommendation 2: The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis.	Actions: The CQC action plan has been costed and £4m growth was included in the new MTFS for 2026/27. Immediate actions in 2025/26 were funded through earmarked reserves. Progress against the plan has been reported to the Adults and Cultural Services Overview and Scrutiny Committee during 2025/26 and 2026/27 - the most recent on 1 June 2026: https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1365&MId=8610&Ver=4 Progress to date includes a reduction in waiting times; significant work continues to achieve sustainable improvements in timeliness, user experience, and consistency of service delivery. **Status:** Milestones per the action plan.

Improving economy, efficiency and effectiveness	Improvement Recommendation b/f 24/25 : Contract Exceptions The Council should continue the work it is undertaking to reduce the number of contract exceptions and extensions and ensure that any cultural or historical practise which does not promote or provide for robust, economical or effective processes is identified and rectified. To further improve oversight, we recommend that compliance reports are provided to CGC on a quarterly basis to provide assurance that new processes are positively impacting outcomes. In addition, reporting should include themes or departments etc to enable a targeted approach to accountability.	All contract exceptions process through a Corporate Procurement Board for approval before being actioned, this allows a full review and scrutiny of the request before it is granted. The Contract Procedure Rules have been rewritten for the Procurement Act and includes the requirement for all Exceptions above threshold to have a lessons learnt, mitigations and action plan completed which may require further clarification in the form of a panel review by the Director of Corporate Resources and Director of Law and Governance. **Status:** Contract exceptions in 2025/26 have reduced to 27 during the year, compared with 75 in the previous year, representing a significant improvement. This improvement has been supported through closer scrutiny of procurement pipelines and spend data to identify requirements at an earlier stage. The Commissioning Support Unit (CSU) has also worked proactively with departments to support compliance with procurement processes and to help secure value for money. Quarterly compliance reporting has also been provided to CMT, with analysis by department to support targeted accountability. This reflects the fact that CMT, as directors of the relevant departments, are best placed to influence behaviour and drive improvement.
External Audit Findings Report 2024/25 (County Council Accounts) **Reported to CGC 23 January 2026** https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8460&Ver=4		
General	Off-Ledger Adjustments During the audit, it was noted that the Council initially records certain transactions against general ledger codes that do not reflect their final classification in the financial statements. At year-end, these amounts are manually reclassified outside the main ledger system to align with the correct presentation required by the financial statements. These adjustments are performed off-ledger rather than through formal journal entries within the accounting system. Whilst we have not identified any issues with the adjustments made there are risks associated with off ledger processing. We recommend that the Council review its current practice of off-ledger reclassifications and consider aligning the general ledger coding with the final	Certain balance sheet codes were manually separated for the balance sheet at year end between short and long term. Additional journals have been processed in 2025/26 to respond to the recommendation. **Status:** Complete

	financial statement presentation. This would improve transparency and reduce reliance on manual adjustments	
ContrOCC * ContrOCC is a subsidiary system of the Council relating to Adults and Children's social care.	ContrOCC* invoice flags As part of testing of invoices raised after the year end we selected an invoice which was subsequently credited by the council, as such this did not have an impact on the financial statements. It did however highlight a potential weakness in arrangements to supporting invoicing in this area. The reason for the credit related to the way in which care package costs had been entered into the ContrOCC system. Upon a persons death the split of the care package triggered an invoicing process from the Council which upon receipt by the customers' estate was subsequently challenged and a credit note issued. We recommend that the Council carry out a process of review to ensure care packages are allocated appropriately to ensure inaccurate invoicing is avoided.	All managers have been reminded that actions related to case closures should be reviewed, this to include that Care Package Line Items (CPLI's) are recorded correctly into the case management system. **Status:** Complete
Financial Instruments	A number of disclosure errors have been identified in relation to this complex note. These errors have included omissions, inconsistencies, misclassifications and two material calculation errors . Furthermore, amendments have been required in prior reporting periods to correct these issues, often necessitating prior period adjustments in accordance with applicable accounting standards. Such adjustments typically involve additional procedures to ensure compliance and transparency, as well as expanded disclosures to explain the nature and impact of the corrections. The recurring need for revisions to this note highlights the importance of implementing robust review and validation processes to mitigate the risk of future misstatements. It is recommended that management implement enhanced review controls over the preparation of this note, including detailed checklists aligned to the relevant accounting standards. Additionally, consideration should be given to providing targeted training for staff involved in preparing these disclosures to ensure a thorough understanding of the requirements and reduce the likelihood of future errors.	This is a complex note and will be reviewed by a senior officer during completion of the 2025/26 year-end financial statements. **Status:** Complete
Partnership Working	Partnership working - agreements Material changes have been made to the accounting treatment applied to the Council's Better Care Fund arrangements. In addition, one further arrangement has been identified that does not meet the criteria for	

	classification as a pooled budget. Whilst we are a satisfied there are individual funding applications made to the ICB, the Council was unable to provide an overarching agreement governing adults' and learning disabilities partnership working with the Integrated Care Board (ICB). A lack of a formal agreement weakens governance arrangements by failing to clearly define decision-making authority, oversight mechanisms, and dispute resolution processes. This may result in blurred accountability between the Council and the Integrated Care Board (ICB), increasing the risk that decisions are made without appropriate authorisation or scrutiny. We recommend the Council review its partnership working arrangements and ensure appropriate agreements are in place. Following this the technical accounting of each arrangement should be reviewed in accordance with the CIPFA code.	Initial conversations have been undertaken between the Adults and Cultural Services department and the ICB regarding the activity associated with the Learning Disability Pool. The recent merger of LLR ICB and the Northamptonshire ICB will likely require a more detailed discussion with partners around the agreement. **Status:** Underway.
Property Valuations	Instructions to valuer We have reviewed outline Instructions to Valuer document issued by the Council to its valuer covering the 2024/25 financial period. However, we understand that no formal Terms of Engagement documents have subsequently been received by the Council. It is our view that for each instruction, the Council should ensure it has specific Terms of Engagement document to help establish accountability, ensure clarity on the scope and objectives, and provide an audit trail. This reduces the risk of misunderstandings, scope creep, or non-compliance with professional and regulatory standards. The Council should ensure formal terms of engagement are agreed with its valuation expert.	Implemented for the 2025/26 valuations. **Status:** Complete.
Property Valuations	Review of valuation information The Council should review the quality control arrangements in place regarding complex valuations, and the review of initial information provided from its expert and to challenge any mathematical or internal inconsistencies. Closedown arrangements should include a review of the information provided by the Council's expert with any inconsistencies challenged. In addition, the Council should review internal accounting arrangements and information supplied to the valuer in terms of those currently treated as 'not increasing value'. The Council should enhance quality assurance procedures to review asset valuations, in particular regarding complex valuations.	Additional verification checks have been implemented for the 2025/26 valuations. **Status:** Complete.

Journals	Journal authorisation Journal testing highlighted an opportunity to strengthen the approval process. We noted instances where journals posted by senior team members were approved by junior staff. Best practice would typically require approval by a more senior individual to ensure appropriate oversight. The current approach may diminish the effectiveness of the review and could potentially impact the integrity and accuracy of financial reporting. We recommend that journals be reviewed and approved by senior team members to ensure adherence to a robust review process.	This relates mainly to year-end technical journals processed by the corporate finance team in compiling the statement of accounts. It is not practical for all corporate finance journals to be approved by senior officers. There are other compensating controls, including: a) journal approval and working papers are segregated and approved by a second officer within corporate finance, b) balance sheet reconciliations, c) detailed year end working papers templates with fixed codes, d) oversight of the statement of accounts task list by the Corporate and Technical Finance Manager. **Status:** Complete, subject to further comments from the auditor.
Journals	Journal processing – annual leave As part of our procedures relating to journal entries, we request information from individuals who have posted journals during the year. While not exhaustive, this includes questions regarding the types of journals processed and the arrangements in place to ensure continuity of processing during periods of absence or leave. In response to the question on cover arrangements for journal processing during leave, some comments indicated 'nobody' or 'none. Whilst we accept there are likely to be local arrangements in place to maintain business continuity the absence of formal policy or procedure to cover arrangements increases the risk of delays in processing journals and may result in incomplete or inaccurate financial records. This could impact the timeliness and reliability of financial reporting. We recommend that the Council reviews and formalises current policies to ensure adequate cover for journal processing during staff absences. This should include documented procedures and clear responsibilities to mitigate the risk of disruption to financial processes.	The finance team have implemented a ticketing system, which includes the processing of journals. Yearend technical journals are processed by the corporate and technical finance team, and are managed through a detailed year end timetable / checklist. Additional controls include balance sheet monitoring and oversight of the accounts by the Corporate and Technical Finance Manager. **Status:** Complete.
General	Review of accounts The Council's financial statements contain a number of disclosures relating to balances that are not material. While not an exhaustive list, these include areas such as Investment Property, Heritage Assets, Intangible Assets, and Inventories. Preparing these disclosures requires time and resources, and based on quantitative considerations alone, their inclusion may not add value to users of the financial statements.	These disclosures are a necessary part of the year end processes to establish the balance sheet. The time to populate the statement of accounts is minimal. However some notes can be simplified to aid the users of the accounts. This will be reviewed as part of compiling the 2025/25 draft statement of accounts.

	We recommend the council carries out a full consideration of all disclosures within the financial statements and consider streamlining further.	**Status:** Ongoing.
IT Audit (Oracle Fusion) LCC and Pension Fund	ITGC assessment (design and implementation effectiveness only) The Pension Fund and the Council share a common control environment in relation to Oracle Fusion. As part of 2024/25 IT work our specialist IT team identified what it considered to be 2 significant deficiencies pertaining to security role privileges and self-assigned access controls within Oracle. These deficiencies were considered in our audit approach to management override of control for 2024/25 and no issues were noted in the specific procedures performed. Our IT team will review the Council's security managements arrangements as part of the 2025/26 audit, including any mitigating controls initiated by the Council.	The issues identified were resolved in 2024/25. **Status:** Complete subject to any further comments from the 2025/26 IT audit.
Property, Plant and Equipment (Prior Year recommendation)	Weaknesses around the processing of capital accounting entries in the Council's Fixed asset register (FAR) and the valuations process. Assets where revalued at 1st October rather than the year end. Capital additions and assets under construction brought into use in year are processed as a manual adjustment and then revalued the following financial year- whereas the Code requires these to be revalued. Finance leases are not included in the FAR but manually adjusted. A large balance of assets that required revaluing under the Code were held at cost in Other Land and buildings. We recommended the Council reviewed its capital accounting processes for the above matters.	The valuation date has been moved to the year-end date of 31 March 2026 with effect from the 2025/26 accounts. In addition, a year end 31 March (26) valuation for all material (>£2m) in year additions has been implemented. Finance leases are immaterial overall and can be complex. As a result, they are held separate to the already complex Fixed Asset Register (FAR). From 2025/26, all assets have been revalued as at 31 March 26 - by an external valuer or have been revalued using relevant indices as required by the CIPFA Code of Practice for 2025/26. **Status:** Complete
Property, Plant and Equipment (Prior Year recommendation)	Management provided us with a report downloaded directly from the fixed asset register with the revalued assets and valuation basis. From review we identified multiple changes in valuation basis compared to prior year. Subsequently from discussions it was identified that the valuation basis had been inputted incorrectly within the FAR and the valuation basis as per the valuation report was correct with prior year valuations.	This related to valuations input to the Fixed Asset Register in 2023/24. It relates to a 'free text' field within the FAR that has no bearing on the valuation method used. The valuation method is determined separately by the external valuer. It is not possible in the FAR to retrospectively change this field, however, as subsequent valuations are input, in 2024/25 and 2025/26, this field is being updated. **Status:** Complete

Income and Expenditure (Prior Year recommendation)	Income and expenditure listings provided to us by the Council had a large number of debits and credits in the transaction populations. We recommended the Council should reduce the level of audit input in our transaction testing by acting to "cleanse" populations to ensure we are only reviewing transactions that directly impact the financial statements.	This recommendation will be addressed as part of the working papers to be submitted to the Auditor during the audit of the 2025/26 accounts. **Status:** Ongoing
Journals Prior Year recommendation)	We recommended in prior year audits that the Council have no authorisation or control process in relation to authorisation of journals below £20,000. We recommended the Council should ensure that all journals are reviewed and approved by an appropriate independent officer.	The Council does have authorisation and control processes in relation to all journals. Specifically, access to enter and approve journals in Oracle Fusion is restricted to officers within the Corporate and Technical Finance team only. No other officers outside of that team, for example, budget managers have access to enter a journal. In 2024/25 additional processes were implemented to strengthen the evidence supporting journals and approval process, before they are entered in the system. The overall number of journals below £20,000 are low. Consideration also has to be given to the level of resources required versus the risks, and that there are other controls such as budget and balance sheet monitoring that mitigate the risks. Further, Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process. **Status:** Complete, subject to any further comments from the auditor.

External Audit Findings Report 2024/25 (Pension Fund Accounts) **Reported to CGC 24 November 2025** https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=7963&Ver=4		
Investment Valuations	Valuation of level 3 investment (financial assets) The following were our findings from testing in 2024/25 (similar points were raised in prior year): Colliers, did not provide the fund with audited financial statements and type 2 controls report for 2 of the property funds (Henderson Fund and Legal & General fund) with a value £15.02million. Lasalle (1 fund) and Partners Group (6 funds) did not provide us with the audited financial statements. The value of the funds are £422.87million	Colliers are no longer a manager for the pension fund, their holdings have been transferred to LGPS Central from 1.4.2025 for the direct property holdings and the property fund holdings to LaSalle. Regarding type 2 SOC reports for LaSalle we can provide this as at LaSalle's year end of 31.5.26 as soon as it is available. Partners Group's year end is 31 December and they do not provide bridging letters to match the Pension Funds year end of 31 March. Partners

	For testing Lasalle and Partners we were able to obtain the type 2 controls report and we deem the relevant valuation controls were designed and operating effectively. Other alternative procedures such as indexation were performed to assess the reasonability of the year end valuations. Management should liaise with the fund managements to provide the audited financial statements where they are produced. In absence of such information, they should obtain the Type 2 controls report to gain comfort that the controls in place are operating effectively.	group have in the past sent emails regarding controls being adequate over the period 31.12 to 31.3. The investments are reducing for Partners Group, so the materiality will be reducing. There are no new commitments to this manager as the Fund moves to using LGPS Central for all new private credit commitments. **Status:** Complete.
Journals	Journal controls-lack of segregation of duties The journal entries process does not require approval for entering journals below £20 000. Failure to have a separate preparer and approver for journals could promote fraudulent financial reporting though we note this would require the entering of multiple journal entries below £20,000 for the impact to be material. The Pension fund should ensure that all journals are not self approved by the preparer. We recognise the low level of journals under £20k, however, the ability to self approve journals remains a risk to the Council in terms of segregation of duties. As such this recommendation has been marked as 'not yet addressed'.	Access to enter and approve journals in Oracle is restricted to officers within the Corporate and Technical Finance team only, and relate to miscoded transactions. As noted, the level of journals posted below £20k remains low. Internal Audit have also reviewed the process and have provided substantial assurance regarding the authorisation process. **Status:** Complete, subject to any further comments from the auditor.

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Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE
26 JUNE 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

HEAD OF INTERNAL AUDIT SERVICE – ANNUAL REPORT 2025-26

Purpose

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

Background

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

Background

3. The Accounts and Audit Regulations (2015) provide that 'A relevant authority must undertake an effective internal audit to evaluate the effectiveness of its risk management, control and governance processes, taking into account public sector internal auditing standards or guidance'.

4. The Global Internal Audit Standards in the UK Public Sector (GIAS UK public sector) were implemented from 1 April 2025. These are accompanied by: -

    a. The Application Note (which gives UK public sector context and interpretations of GIAS requirements, plus additional requirements essential for internal audit in the UK public sector.

    b. CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support authorities in

establishing their internal audit arrangements and providing oversight and support for internal audit.

5. The Application Note requires that in the UK public sector: -

   a. a 'chief audit executive' (for the Council that is the HoIAS) must prepare (at least annually) a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. The conclusion should be in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.

   b. The HoIAS must also report annually on the results of quality assessment carried out, including progress against action plans to address instances of non-conformance to the GIAS UK public sector.

6. The Code states that: -

   a. Annually, the audit committee (the Committee) must review the results of the HoIAS assessment of conformance against GIAS in the UK public sector, including any action plan. The Committee must review the HoIAS annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.

   b. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance. If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.

The HoIAS' Annual Report 2025-26

7. The detailed annual report for 2025-26 is provided in the **Appendix**. Although not a GIAS UK public sector requirement, the annual report will be made available to all members of the County Council. The report includes the HoIAS' overall conclusion.

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

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

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

Assurance was provided by Nottingham City Council Internal Audit which completed all four of its planned audits of EMSS main financial systems and gave an overall very positive conclusion. Other assurances were taken from the (External) Auditor's Annual Report and verbal assurance for the Chief Internal Auditor of the company that provides prepaid card services for adults and children's direct payments.

The HoIAS overall conclusion will also be reported in the AGS for 2025-26.

8. **Annex 1** lists the audits undertaken during the year. For assurance audits the individual audit conclusion is given. The Annex also contains details of other relevant work undertaken.

9. **Annex 2** provides the Head of Internal Audit at Nottingham City Council Annual Report & Opinion on EMSS 2025-26

10. **Annex 3** provides a summary of the HoIAS self-assessment against the GIAS UK public sector. Whilst the Service 'generally conforms' (the highest rating) there are some improvement actions.

11. **Annex 4** is the revised Service Quality Assurance Improvement Programme with a similar action plan.

12. Headlines from the report are: -
    a. The HoIAS overall conclusion on the Council's governance, risk management and/or control remained positive.
    b. Most assurance audits conducted returned substantial assurance ratings. Those where less assurance was given will continue to be subject to further audit scrutiny.
    c. Similar numbers of assurance audits and advisory engagements were conducted. Most work was completed by the date of this report, with a relatively small carry over.
    d. Development and training continued.
    e. Customer satisfaction remained positive.

f. The Service generally conforms to relevant internal audit standards with some improvement actions

Resource Implications

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

Equality and Human Rights Implications

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

Recommendations

15. It is recommended that

a) the Committee **notes** the Internal Audit Service annual report for 2025-26 (attached as an appendix);

b) a copy of the Annual Report for 2025-26 be circulated to all members of the County Council for information.

Background Papers

The Constitution of Leicestershire County Council
Accounts and Audit Regulations (Amendment) 2015
Global Internal Audit Standards in the UK Public Sector

Circulation under the Local Issues Alert Procedure

None

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List of Appendices

Appendix	Internal Audit Service Annual Report 2025-26
Annex 1	Summary of Internal Audit Service work supporting the HoIAS 2025-26 conclusion
Annex 2	Head of Internal Audit at Nottingham City Council Annual Report & Opinion on EMSS 2025-26
Annex 3	Overall conformance with the Global Internal Audit Standards in the UK Public Sector summary
Annex 4	Quality Assurance Improvement Programme - June 2026

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Appendix

Leicestershire County Council
Head of Internal Audit Service
Annual Report 2025-26

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

8 June 2026

Appendix

LEICESTERSHIRE COUNTY COUNCIL
HEAD OF INTERNAL AUDIT SERVICE
ANNUAL REPORT 2025-26

Background

1. The Head of Internal Audit Service (HoIAS) manages Leicestershire County Council's Internal Audit Service (LCCIAS). LCCIAS was externally assessed in the Spring of 2024 as 'generally conforming' (top rating) to the Public Sector Internal Audit Standards (the PSIAS).

2. The PSIAS were replaced from 1 April 2025 by the Global Internal Audit Standards UK (public sector). The GIAS comprise five Domains (I to V), 15 Principles (relevant to Domains II to V) and 52 supporting Standards. Each Standard contains Requirements, Considerations for Implementation, and Examples of Evidence of Conformance.

3. In the UK public sector, GIAS were implemented from 1 April 2025 and are accompanied by an Application Note (which gives UK public sector context and interpretations of GIAS requirements, plus additional requirements essential for internal audit in the UK public sector. Together they are the GIAS UK (public sector).

4. Additionally, for local government internal audit functions, from 1 April 2025 CIPFA implemented a Code of Practice for the Governance of Internal Audit in UK Local Government (the Code) to support authorities in establishing their internal audit arrangements and providing oversight and support for internal audit.

5. The Application Note requires that in the UK public sector: -

    a. a 'chief audit executive' (for the Council that is the HoIAS) must prepare (at least annually) a conclusion at the level of the organisation about the effectiveness of governance, risk management and/or control. The conclusion should be in support of wider governance reporting, mindful of any specific sector obligations or processes. This overall conclusion must encompass governance, risk management and control.

    b. The HoIAS must also report annually on the results of quality assessment carried out, including progress against action plans to address instances of non-conformance to the GIAS UK public sector.

6. The Code states that: -

    a. Annually, the audit committee (the Committee) must review the results of the HoIAS assessment of conformance against GIAS in the UK public sector, including any action plan. The Committee must review the HoIAS annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives.

    b. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns should be formally recorded and reported to those charged with governance. If resource issues result in a limitation of scope on the annual conclusion, this should also be reported and disclosed in the annual governance statement.

Background to the HoIAS annual conclusion.

7. The HoIAS annual conclusion is macro-assurance over a defined period (2025-26) and combines: -

    a. An objective assessment based on the results of individual audits undertaken and actions taken by management thereafter. Individual internal audit conclusions on what level of assurance can be given as to whether risk is being identified and adequately managed are formed by applying systematic grading to remove any elements of subjectivity. Draft reports are taken account of. Annex 1 lists the audits and other work undertaken during the year and where appropriate the individual audit conclusions. Individual audit engagements provide targeted micro-assurance.

b. Professional judgement of the HoIAS based on his knowledge, experience, and evaluation of other related activities. This provides a holistic, strategic insight into the County Council's control environment.

c. The HoIAS' recognition of other independent assurances received in the year.

The results of the above, when combined, form the basis for the HoIAS annual conclusion about the effectiveness of governance, risk management and control. However, no system of internal control can provide absolute assurance against material misstatement or loss, nor can LCCIAS give absolute assurance, especially given its limited resource. The work of LCCIAS is intended only to provide reasonable assurance on the overall adequacy and effectiveness of the control environment based on the work undertaken and known facts.

The Head of Internal Audit Service Annual Conclusion on the effectiveness of the Council's governance, risk management and control

8. Based on an objective assessment of the results of individual audits undertaken, actions by management thereafter, the professional judgement of the HoIAS in evaluating other related activities and recognising other independent assurances received in the year, the following overall conclusion has been reached: -

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

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

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

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

Appendix

A summary of the audit work from which the annual conclusion is derived

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

10. The HoIAS developed and conducted member induction training and provided input to the Annual Report of the Committee to full Council.

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

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

13. The HoIAS reviewed annual performance reports including the County Council's overall performance and expenditure benchmarking position and progress and the Overview and Scrutiny Annual Report 2025-26.

14. The HoIAS provided the annual update to the external auditors Informing the audit risk assessment for Leicestershire County Council 2024-25 and assisted the Chair of Corporate Governance Committee with his response on awareness of fraud risk at the Council. The HoIAS was interviewed by the External Auditor on his general thoughts on the Council's governance, risk management and control arrangements and any issues.

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

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

17. Key audits of I&T hardware and software and cyber security focussed on risk management. A key audit of disaster recovery plans arrangements was undertaken. Other key audits were on the implementation of two factor authentication and the governance of artificial intelligence usage.

18. Regarding counter fraud risk responsibility, proactively LCCIAS developed and introduced a range of counter fraud guidance and tools including a fraud referral portal. Reactively, the Service was involved to varying degrees in

investigations, a summary of which are reported in the Counter Fraud Annual Report.

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

20. Several important assurance audits were undertaken that were predominantly a financial or I&T control theme. Examples were large scale audits of Children's Social Care Placements & Payments, Emergency Payments (Section 17/24 Payments), Maintained Schools' Deficit Budgets and SEN Assessments were undertaken.

21. Advisory audits of the escalated financial controls processes and fostering and adoption were completed. LCCIAS continued to review Nottingham City Council audits of EMSS systems. An Audit Manager attends a regular Financial Controls Group which considers such topics as compliance to finance policies and financial performance.

22. **Annex 1** lists the audits and all other work undertaken by LCCIAS during the year up to 31 May 2026 and where appropriate contains the individual audit conclusion. The table below summarises the type of assignments completed/ongoing: -

Table 1: Assignments completed/ongoing at 31 May 2026

Type	24-25	**25-26**	**+/-**
Assurance audits (undertaken by LCCIAS)	54	**64**	**+10**
Assurance audits (review NCCIA/EMSS)	7	**4**	**-3**
Close off HI recommendations	7	**14**	**+7**
Advisory assignments	11	**15**	**+4**
Information Security Risk Assessments	23	**19**	**-4**
Grant certification	18	**8**	**-10**
Investigations	21	**29**	**+8**
Other control environment	19	**8**	**-11**
Assist other functions	5	**4**	**-1**
Total	165	**165**	**0**

Appendix

23. For ‘assurance’ type audits, defined as ‘An objective examination of evidence for the purpose of providing an independent assessment’, this can be summarised as follows: -

Position @ 31 May 2026	**Assurance rating**	**Number**
Complete	Substantial	40
Completion imminent	Substantial expected	9
Complete	Partial	11
Completion imminent	Partial expected	1
Early stage	Unknown at present	2
Deferred	N/a	5
Sub-total		**68**
Reclassified as ‘advisory’	N/a	9
Total		**77**

24. At 31 May, 49 out of 68 audits (72%) were rated ‘substantial assurance’ meaning the controls in place to reduce exposure to risks to achieving the system's objectives were well designed and were being operated effectively. The 49 audits contained 4 (complete) of East Midlands Shared Service (EMSS) key financial transactional systems undertaken by Nottingham City Council Internal Audit (NCCIA).

25. 12 audits (18%) were rated ‘partial assurance’ meaning they contained either high importance (HI) recommendations or a collective number of recommendations which signified a serious control weakness had been identified. 3 audits are awaiting confirmation of gradings with management.

26. It was too early to gauge the assurance ratings for 2 audits and 5 had been deferred having obtained valid reasons for doing son from senior management.

27. LCCIAS provided advisory audit work across a range of topics. This included reporting on 9 audits that were originally planned as assurance type but because of valid reasons were reclassified to advisory meaning that an individual rating isn’t given. Additionally, the Service continued to review a high number of Information Security Risk Assessments 19 (23 in 2024-25) and other IT changes which demonstrates the continuing pace of change the Council is driving.

28. The number of grants audited and certified reduced to 8 (18 in 24-25). The resource input on these has reduced and time has been redirected to other areas of the plan.

29. LCCIAS also provided input to investigations during the year. 29 (21 in 24-25) investigations were carried forward and started in 2025-26 and some are still in train. The Counter Fraud Annual Report contains a summary of the number and type of investigations and outcomes. Activity on investigations is produced annually to meet the requirements of the Local Government Transparency Code.

30. A range of work is conducted across the wider control environment and in direct support to other departments.

31. The Internal Audit Charter was revised and approved by the Committee in November 2025. Impairments to LCCIAS' independence and objectivity are declared in the Charter as follows: -

    a) Responsible for co-ordinating the Council's Annual Governance Statement (AGS). For 2025-26 two significant governance issues were identified and further details are contained in the AGS report.
        i. Members Code of Conduct issues
        ii. Deficit Budgets Schools Balance.

    b) The HoIAS retains oversight of the counter fraud, risk management and insurance functions and chairs a group specifically engaged in the Council's property and occupants' risk.

32. The table below shows the resources planned and delivered for the Council: -

Table 2: Staff resources allocated & delivered – to 31 March 2026

All figures are in days **Allocated (1/4/25) & recorded (31/3/26)**	1/4/25 Planned	**31/3/26 Delivered**	**+/-**	**Reason**
LCC IA including contingency	1,140	**816**	**-324**	A
Counter Fraud - proactive & advisory	45	**47**	**+2**	
EMSS IA - reports, HoIA annual plan etc	10	**4**	**-6**	
Sub-total LCC IA & CF and EMSS IA	1,195	**867**	**-328**	
Sub-total managing LCC IA & CF	290	**314**	**+24**	B
Total allocated/recorded on LCC IA & CF and EMSS IA	1,485	**1,181**	**-304**	
Percentage of original plan resources	100%	**80%**	**-**	
Outside of the IA plan –Risk Management, AGS[1] & LCoCG[1] & Insurance	80	**133**	**+53**	C

[1]Annual Governance Statement & Local Code of Corporate Governance

33. Some reasons for the larger variations are: -

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

        i. Starting resource plan was based on recruiting to known vacancies (one Senior Auditor and one Auditor) and retaining others. However, the vacancies remained unfilled. There are plans to review and redesign the Service and so permanent appointments to replace the vacant posts were held back. The resource gap was to some extent filed by an agency appointment for almost 7 months

        ii. Overall, the Service's medically related sickness absence was very low (31 days) but still exceeded the planned full year estimate (20). Unplanned jury service and a short amount of bereavement leave impacted resources delivered

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

        i. Developing the service (+26 days) - Predominantly research and training for the mandatory requirement to implement the new internal audit standards from 1 April 2025. This has been a significant burden on a small team.

        ii. Additional time over the full year estimate recorded on planning, allocating & reporting (+23 days) was offset by less time providing service to the Committee and senior officers (-18).

    c. Time spent on non-audit duties

        i. The biggest impact has been leading on the overdue revision of the Local Code of Corporate Governance (+19 days). This has not only proven the Council has a very wide and sound base of governance but will help in the production of the Annual Governance Statement.

        ii. Regarding the Insurance Service, additional time was spent (+28 days) overseeing two staffing matters and some non-routine cover matters.

34. Internal audit plans are increasingly short-term statements of intent rather than guaranteed coverage and need to be flexible and retain contingency to adapt to changes in risk and priorities. Some resource has already been utilised in 2026-27 completing prior year audits.

35. There was a large budget underspend mainly due to staffing vacancies but also increased trading income.

36. Returns of customer satisfaction questionnaires remain low. Nevertheless, those being audited continue to rate service received and value added as '*very satisfied'*.

37. The drive to becoming more agile by using available technologies and pushing ahead on the use of a data analytics (and AI) tools remains work in progress. A data analytics and AI strategy has been devised. Key priorities in this area for the coming year will be to understand the practical applications of AI in internal audit processes and explore how AI can reduce audit cycle times and improve efficiency.

Co-ordination with other assurance providers

38. The HoIAS places reliance on work by other assurance providers: -

    a. Nottingham City Council Internal Audit (NCCIA) provides the internal audit function for East Midlands Shared Services (EMSS). During the year NCCIA completed audits of accounts receivable, accounts payable and business continuity planning each of which were rated significant assurance. The audit of payroll was rated moderate assurance with recommendations that standing data amendments to be tracked and a strengthening of controls in the recording and tracking of salary overpayments (*). The Head of Internal Audit for NCCIA is reporting to the EMSS Joint Committee on 15 June 2026 that: -

    'On the basis of audit work undertaken during the 2025/26 financial year, the Head of Internal Audit at Nottingham City Council concludes that a "significant" level of assurance can be provided that the organisation's framework of governance, risk management, and internal control is generally operating effectively. Audit reviews identified that key financial systems and operational processes are in place and functioning adequately, with areas of notable practice across several core systems. The audit outcomes suggest that the organisation is moving in a positive direction, with improving control maturity in key financial systems and an ongoing commitment to strengthening governance and resilience arrangements.

    (*) In the previous year (2024-25) assurance was provided that the salary overpayments was not the fault of EMSS and the majority of issues lay with Nottingham City Council. Leicestershire's position was considerably better with overpayments since April 2025 being less than 0.1% of the Council's payroll and late declarations just over 3%.

    The Head of Internal Audit at Nottingham City Council Annual Report & Opinion on EMSS 2025-26 is contained in **Annex 2**.

    b. The HoIAS took assurance from Grant Thornton's positive 'Auditors Annual Report on the County Council for 2024-25'. The Auditor's Annual Report (AAR) is a detailed review of the value for money (VfM) arrangements at the Council. The report was presented to Committee on 24 November 2025 and covered four areas. These were financial sustainability; governance; improving economy, efficiency, and effectiveness and the opinion on the financial statements. Overall, the auditor's report was positive and concluded that the Council has appropriate financial management, has appropriate governance arrangements in place, and appropriate performance measurement, partnership working and procurement arrangements.

c. Additionally, an issue arose during the year when prepaid card services for adults and children's direct payments were significantly affected. This impacted the Council's Finance team progressing the implementation of high importance recommendations following internal audits. Whilst assurances had already been received from the card provider that the issues were being resolved, the Chief Internal Auditor of EML Payments (which provides the independent internal audit function for the card provider), provided additional verbal assurances that over the last half of 2025-26 significant other changes had occurred to strengthen the control environment.

Self-assessment of conformance with the GIAS UK (public sector) and the review of the internal audit Quality Assurance and Improvement Programme (QAIP)

39. A detailed self-assessment of conformance with the GIAS UK (public sector) including the Application Note and Code of Practice for the Governance of Internal Audit in Local Government was undertaken. The summary outcome is at **Annex 3**.

40. The HoIAS self-assessment returned 'Generally Conforms' the highest level which means that the internal audit activity has a charter, policies, and practices that are judged to be in alignment with the Standards in all material respects, although there may be some opportunities for improvement particularly implementing root cause analysis in internal audit findings and recommendations. If an internal audit function is rated generally conforms, it indicates: -

    i. Governance, risk management, and control processes are being assessed effectively.
    ii. The audit activity is credible and trusted.
    iii. Any improvement actions are typically incremental rather than fundamental.

41. At its meeting on 20 May 2024, the Committee was informed that the outcome of the mandatory 5 yearly External Quality Assessment (2024) was '*The Leicestershire County Council internal audit service is delivering to a standard that generally conforms with the (previously in place) Public Sector Internal Audit Standards'.* The improvement recommendations continue to be reviewed and mapped against the GIAS UK (public sector).

42. The HoIAS reviewed the Service Quality Assurance Improvement Programme (QAIP) and compiled a further action plan of improvements. This is contained in **Annex 4**.

Appendix

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

43. The HoIAS has responsibility for overseeing the compilation of the AGS. As part of the process, he arranges a senior officers 'governance group' to review the content and agree any significant governance issues that should be reported in the AGS, before it is presented to the Committee.

44. Two new significant governance issues will be reported in the draft AGS for 2025-26.

Conclusion

45. The Internal Audit Service has provided independent assurance on the Council's governance, risk management, and internal control arrangements during the year, focusing on key risks and priorities.

46. Our work indicates that, overall, the Council has sound systems of control in place that are generally operating effectively. However, some areas require improvement to strengthen consistency and ensure risks are fully mitigated. Management has been responsive to our findings, and progress will continue to be monitored.

47. The Council operates in a challenging environment, reinforcing the need for strong governance and effective risk management. The Internal Audit Service will continue to adapt its approach to reflect emerging risks.

Neil Jones CPFA
Head of Internal Audit & Assurance Service
LCCIAS

8 June 2026.

Summary of Internal Audit Service Work – Supporting the HoIAS conclusion 2025-26 **Annex 2**

Assurance Audits

Department	Entity	Position	Status at 31 May 2026 & target for completion	Assurance rating	HI Rec'n
Adults & Communities	Deprivation and Non-Declaration of Capital	Complete	Final Issued	Substantial	No
Adults & Communities	Financial Assessment Team Processes	Complete	Final Issued	Substantial	No
Chief Executives	CIVICA to Arcus Migration	Complete	Final issued	Substantial	No
Children & Family Services	Early Years Providers – Compliance Visits process	Complete	Final issued	Substantial	No
Children & Family Services	Fleckney CE Primary School	Complete	Final issued	Substantial	No
Children & Family Services	Safeguarding	Complete	Final Issued	Substantial	No
Children & Family Services	Schools Absence Monitoring	Complete	Final issued	Substantial	No
Children & Family Services	St Mary's Church of England Primary School	Complete	Final Issued	Substantial	Yes

Children & Family Services	Water Leys Primary School	Complete	Final issued	Substantial	No
Consolidated Risk	Annual Governance Statement – Improvements / Actions	Complete	Final Issued.	Substantial	No
Consolidated Risk	Annual Governance Statement – Review Accuracy of Departmental Self Assessments	Complete	Final Issued.	Substantial	No
Consolidated Risk	Approval Process for payment feed	Progressed	Final issued	Substantial	No
Consolidated Risk	Disaster Recovery Plans	Complete	Final issued	Substantial	No
Consolidated Risk	Early Payment Scheme	Complete	Final Issued	Substantial	No
Consolidated Risk	Emerging Issues – MIS Data Quality - Thrive	Complete	Final Issued	Substantial	No
Consolidated Risk	Immigration & Asylum – Placements and Payments	Complete	Final Issued	Substantial	No
Consolidated Risk	Implementation of Public Procurement Regulations (2024-25)	Complete	Final Issued	Substantial	No
Consolidated Risk	Implementation of Public Procurement Regulations (2025-26)	Complete	Final Issued	Substantial	No

Consolidated Risk	Mandatory Learning - Health & Safety Specific	Complete	Final Issued	Substantial	No
Consolidated Risk	Overtime Payments	Complete	Final issued	Substantial	No
Consolidated Risk	P-Cards	Complete	Final issued	Substantial	No
Consolidated Risk	Procure to Pay (P2P)	Complete	Final Issued	Substantial	No
Consolidated Risk	PSN Accreditation Audit	Complete	Final issued	Substantial	No
Consolidated Risk	PSN Accreditation Audit 2025/26	Complete	Final Issued	Substantial	No
Consolidated Risk	Replacement of Wisdom (EDRMS) & Associated Data Move	Complete	Final Issued	Substantial	No
Consolidated Risk	Romulus Court Move	Complete	Final Issued	Substantial	No
Consolidated Risk	Two Factor Authentication (2FA/MFA)	Complete	Final Issued	Substantial	No
Consolidated Risk	Use of Artificial Intelligence	Complete	Final Issued	Substantial	No

Corporate Resources	Tax Digital/IR35	Complete	Final Issued	Substantial	No
Environment & Transport	Confirm on Demand Highways Management Project	Complete	Final Issued	Substantial	No
Environment & Transport	Payment to Taxi Providers	Complete	Final Issued	Substantial	No
Environment & Transport	Refuse & Household Waste Sites (RHWS) - Operatives Ethics & Culture	Complete	Final issued	Substantial	No
Environment & Transport	SEN Transport	Complete	Final Issued	Substantial	No
Environment & Transport	Transport Services – Contract Monitoring – Penalty Point System	Complete	Final issued	Substantial	No
Environment & Transport	Transport Services – Data Matching – Taxi Clients (SEN) to Pupils Missing Education	Complete	Final Issued	Substantial	No
Environment & Transport	Transport Services – Taxi Tendering and Contract Awards – ProContract	Complete	Final Issued	Substantial	No
EMSS	Payroll	Complete	Final Issued	Moderate	No

EMSS	Accounts Receivable	Complete	Final Issued	Significant	No
EMSS	Accounts Payable	Complete	Final Issued	Significant	No
EMSS	Business Continuity Planning	Complete	Final Issued	Significant	No
Children & Family Services	Replacement of Capita with Synergy	Progressed	Review Stage	TBC	TBC
Children & Family Services	SEN Payments	Progressed	Draft to issue by 9 June	TBC	TBC
Consolidated Risk	Cyber Security	Progressed	Draft Issued	TBC	TBC
Consolidated Risk	Declaration – Gifts & Hospitality & Conflict – Review of Declaration	Complete	Draft issued	TBC	TBC
Consolidated Risk	Key ICT Controls Audit 2025/26	Progressed	Draft report with Audit Manager for sign	TBC	TBC
Consolidated Risk	Procurement - Bid Rigging	Progressed	Draft Report Issued 13 May	TBC	TBC

Consolidated Risk	Procurement – Prompt Payment of Supply Chains	Progressed	Testing nearing completion	TBC	TBC
Consolidated Risk	Procurement Challenges – At Tendering and Contract Award Stage	Progressed	Draft Report Issued	TBC	TBC
Consolidated Risk	Risk Management	Progressed	Draft to issue w/c 25 May	TBC	TBC
Adults & Communities	Residential Settings Claiming for Deceased or Fictitious Residents	Complete	Final Issued	Partial	Yes
Adults & Communities	Safeguarding	Complete	Final Issued	Partial	Yes
Chief Executives	Registrars Audit	Complete	Final issued	Partial	Yes
Children & Family Services	Children's Social Care Placements & Payments	Complete	Final Issued	Partial	Yes
Children & Family Services	Emergency Payments (Section 17/24 Payments)	Complete	Final issued	Partial	Yes
Children & Family Services	Maintained Schools' – Themed Audit – Deficit Budgets	Complete	Final Issued	Partial	Yes
Children & Family Services	SEN Assessments	Complete	Final issued	Partial	Yes

Consolidated Risk	Account Governance Review	Complete	Final issued	Partial	Yes
Consolidated Risk	Business Travel Documents	Complete	Final issued	Partial	Yes
Consolidated Risk	Travel & Subsistence - Approvals Hierarchy	Complete	Final issued	Partial	Yes
Consolidated Risk	Identification, Knowledge and Prioritisation of Business Applications	Complete	Final issued	Partial	Yes
Consolidated Risk	Prevent Duty – Venue Hire	Complete	Draft to issue w/c 3 June	TBC	TBC
Chief Executives	Developer Contributions (s106/s278)	Planning stage	Deferred	-	-
Children & Family Services	Commissioning Service – Quality Assurance Process	Planning stage	Deferred	-	-
Children & Family Services	Learning Disabilities Transitions from Children's Complex to Care Adults	Started	Deferred	-	-
Consolidated Risk	Equalities and Human Rights	Scoped	Deferred	-	-
Consolidated Risk	Workforce Planning (including Succession Planning)	Scoped	Deferred	-	-

Corporate Resources	Procurement – Contract Awards to Single Specific Suppliers	Progressed	Testing Stage	TBC	TBC
Environment & Transport	Developer Contributions (s106/s278)	Planning stage	Scoping meetings currently being held	TBC	TBC
Children & Family Services	Fostering & Adoption	Complete	Phase 1 Final Issued.	Advisory	N/A
Consolidated Risk	Assurance Mapping	Progressed	Review Risk Registers complete. Expected assurance mapped and risk and assurance owners identified. Map to IA universe to identify areas where future audits are required.	Advisory	N/a
Consolidated Risk	Escalated Financial Controls	Complete	Finalised	Advisory	N/A
Consolidated Risk	Escalated Financial Controls - Travel & Subsistence	Complete	Finalised	Advisory	N/A

Consolidated Risk	Escalated Financial Controls Consultants & Specialist Advisors	Complete	Finalised	Advisory	N/A
Consolidated Risk	Publishing Obligations under the Local Government Transparency Code	Complete	Finalised	Advisory	N/A
Consolidated Risk	Records Management - Continuous Audit (Floor Walks)	Complete	Final Floor Walk in March 2026	Advisory	N/A
Consolidated Risk	Travel & Subsistence Policy – Home to Duty	Complete	Finalised	Advisory	N/A
Consolidated Risk	Zouch Bridge Replacement – f/u rec'ns	Complete	Finalised	Advisory	N/A

Advisory audits

Department	**Entity**	**Final report (or position at 31 May 2026**
Consolidated Risk	Annual Governance Statement 2024-25	Final published with Statement of Accounts
Consolidated Risk	Annual Governance Statement 2025-26	Ongoing
Consolidated Risk	ICT Policies and Procedures: - Attendance at Information Assurance Group Meeting (including quarterly updates on Information Governance statistics) - Floor walk (ongoing programme of work) - Input into Information Security Related Breaches (reported to the ICO) as and when required. - Initial Assessment of ISRAs Public Services Network (PSN) - On going accreditation advice *Overall Value Added: Proactive timely control and efficiency advice.*	Ongoing
Consolidated Risk	Local Code of Corporate Governance – major review and refresh in conjunction with Monitoring Officer & Head of Democratic Services	Report to CGC 26 June 2026
Consolidated Risk	National Fraud Initiative 2024/26 – analysis of matched data	Final report issued
Consolidated Risk	National Fraud Initiative 2024/26 – analysis of matched data Adult Social Care	Final report issued

	Information Security Risk Assessments (ISRA) *Overall Value Added:* • *Ensure appropriate security controls are considered.* • *Ensure there is relevant commitment, approval and sign off.* • *Identification and acceptance of residual risks.*	
Corporate Resources	**AI in Adobe -** AI features in adobe Cloud for photo and video editing.	Signed off 18/02/2026
Corporate Resources	**Alteryx -** Designer desktop product with intelligent suite add on is a data preparation and analysis tool	Signed off 13/11/2025
Corporate Resources	**Arcus Trading Standards Solution -** New Data and Case management System to be utilised by the Trading Standards Service to replace the current spreadsheets used by the Service.	Ongoing
Corporate Resources	**ASB Case Management System – ECINS -** provides multi-agency partnerships with a secure case management system (Replaces the old Sentinel System)	Signed off 13/06/2025
Corporate Resources	**Bikeability –** Government approved National Standards for Cycle Training, which teaches trainees the necessary skills to ride confidently on today's roads. The app allows for quick and efficient recording of rider progress.	Signed off 11/08/2025
Corporate Resources	**CCTV Children's -** This ISRA will look into the CCTV systems in operation at homes managed by Children and Family services and commissioned homes.	Signed off 02/09/2025

Corporate Resources	**CCTV County Hall -** This ISRA will look into the CCTV systems in operation at County Hall (and other office sites) managed by LCC property services.	Signed off 17/09/2025
Corporate Resources	**CoPilot -** Microsoft 365 Copilot is a smart assistant that uses generative AI to help you to complete tasks	Signed off 15/05/2025
Corporate Resources	**Crown Hosting -** Physical moving of existing servers and all circuits from Romulus Court to a new storage provider.	Signed off 19/09/2025
Corporate Resources	**IDEA Caseware -** A review of Internal Audits use of the IDEA Data Interrogation Tool	Ongoing
Corporate Resources	**IG Bridge Oneview –** used for pseudonymising information and securely sending information from a shared space. This work will be part of the efficiency review being carried out by Newton.	Signed off 12/01/2026
Corporate Resources	**IlovePDF –** is a suite of online and web based tools for managing PDF documents, offering a wide range of features such as editing, converting, compressing, merging, and splitting PDFs.	Signed off 13/12/2026
Corporate Resources	**Member Caseware Solution -** Elected technology caseworks solution provides digital solutions for electronic casework management systems for elected representatives & the public sector.	Signed off 05/08/2025
Corporate Resources	**Overarching AI -** General ISRA for deployment of any AI applications in the council	Signed off 30/09/2025
Corporate Resources	**Resiliency Direct Website -** Cabinet Office provided secure web system for use by the national resilience community.	Signed off 10/07/2025

Corporate Resources	**SENA Project -** Use of Co-Pilot to process information obtained via granicus application forms for parents applying for additional support for SENA	Signed off 30/04/2025
Corporate Resources	**System C AI Transcription -** ISRA is for a pilot exercise for Adult Social care to record meetings with service users and populate LAS by using Form flow.	Signed off 30/09/2025
Corporate Resources	**VEED -** VEED is a video editing software used by the Marketing & Communications Officer within the Active Together team. Active Together hold a Lite subscription.	Signed off 26/08/2025
Corporate Resources	**Wisdom Mosaic Document Migration -** LCC is moving away from the Wisdom EDRMS product. Therefore, all documentation from Wisdom needs to be migrated over to their respective systems of which Mosaic (Children's Case Management System) is one.	Signed off 06/01/2026

Grant certifications

Department	Entity	Final report (or position at 31 May 2026	Opinion / Assurance rating	HI Rec'n
Adults & Communities	Multiply Funding – No 31/7121 (Multiplier Grant)	Certified 9/5/25	n/a	n/a
Adults & Communities	Disabled Facilities Grant (24/25 31/7271 & 31/7605	Certified 31/10/25	n/a	n/a
Children & Family Services	2025/26 Basic Needs Grant 31/7127	Certified 8/10/25	n/a	n/a
Environment & Transport	Bus Service Operators Grant - (BSOG) (24/25 – No.31/7227)	Certified 30/9/25	n/a	n/a
Environment & Transport	Local Transport Capital Block Funding (Integrated Transport and Highway Maintenance Blocks) - 2024/25 - No.31/7318	Certified 29/7/25	n/a	n/a
Environment & Transport	Local Transport Capital Block Funding (Pothole Fund) - 2024/25 No.31/7319	Certified 18/8/25	n/a	n/a
Environment & Transport	Leicestershire CAN-De Project	Certified 30/3/26	n/a	n/a
Public Health	Home Upgrade Grant - Phase 2	Certified 8/7/25	n/a	n/a

Investigations

The Internal Audit Service undertakes proactive (planned) and reactive (demand led) counter fraud activity. Whilst some time incurred was to close previous years' investigations, in the 6 months to the end of September, 17 small scale cases had time recorded against them (22 days).

Other control environment/assurance work

Department	Entity	Final report (or position at 31 May 2026
Counter Fraud	Developed inaugural & follow up Counter Fraud Annual Reports to Corporate Governance Committee.	Reported June 2025. & scheduled June 2026
Counter Fraud	Planning & publishing of range of internal comms for International Fraud Awareness Week (IFAW)	Complete.
Counter Fraud	Roll out of new FFCL Adult Social Care Fraud Toolkit to key staff and managers within the department.	Roll out complete.
Counter Fraud	Targeted counter fraud advice provided to LA-maintained schools.	Complete.
Counter Fraud	Targeted work with all departments regarding increasing the take-up of the mandatory Fraud Awareness e-learning module.	Complete. Take-up now at c. 80%.
Governance	Financial Controls Group membership focussing on the following key areas: • Dealing with applications for exception to corporate policy • Monitoring of compliance of policies (through clear metrics) • Review any future changes required to existing policies. • The facilitation of Oracle upgrades and issues arising Other related issues around financial performance (e.g. level of debts/write-offs)	Ongoing
Risk management	Routine challenge to department risk registers/updating the corporate risk register Annual review and update of risk management policy statement & strategy	Ongoing Complete

Work assisting other functions.

Department	Entity	Position at 31 May 2026
Children & Family Services/Legal/Insurance	Arranging cyber insurance for maintained schools	Ongoing
Adult Social Care / Corporate Resources	Input to MTFS savings under development – Responsible Payments (Adult Social Care Direct Payments Fraud)	Ongoing
Public Health	Advice to department regarding counter fraud aspects in relation to the new Crisis & Resilience Fund.	Ongoing
East Midlands' Freeport	Advice to Freeport on fraud-related matters, e.g. Fraud Risk Assessment, Policies & Procedures, in our role as Accountable Body	Ongoing

Training, development and networks attended (and substantial other work undertaken) during the period

External Quality Assessment

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

Local Authorities Chief Auditors Network

- June meeting – GIAS, data analytics, auditor competency tools
- Annual meeting – included professional updates from IIA and CIPFA
- October and December meetings

Midlands Counties Heads of Internal Audit Groups

- Heads of Internal Audit Group
  - Two regular meetings
  - 2026-27 planning ideas
- ICT Audit Sub-Group
  - Attendance at the Midlands County IT Subgroup Meeting
  - Inputs into IT Points of Practice:
  - Use of Audit Case Management Software
- Fraud Sub-Group
  - Virtual meetings held April, July & October 2025 & January 2026. Various issues discussed and emerging fraud risks
- Use of Co-Pilot and AI to support Internal Audit Service Delivery.
  - Team training

Institute of Internal Auditors (IIA)

- Data Analytics and Artificial Intelligence Forum – Monthly attendance
- Cyber Security IIA Topical Requirements – webinar attended
- Fraud Forum – July 2025 - Back to Basics: Navigating Fraud Risk in the Public Sector
- Midlands Key Event – culture, professional courage, topical requirements, competency framework, AI
- Fraud Forum – How to use AI in internal audit teams

CIPFA Better Governance Forum webinars

- Ethics requirements for GIAS
- Winter Internal Audit Update 2026 – GIAS, root cause analysis, forming annual conclusions, key financial risks
- Governance Practitioners Update 2026 – governance changes, obtaining assurance, LGR implications

East Midlands Risk Management Group

- Quarterly meetings on various relevant topics

National Anti-Fraud Network (NAFN) Webinars

- None this year

NatWest Bank Webinars

- Cyber Fraud (in conjunction with Gallagher's Insurance)
- Fraud Unmasked

CIFAS Webinars

- Insider Fraud
- Internal Threat webinar – How to protect your organisation from the threat within
- Failure to Prevent Fraud

Cabinet Office Webinar

- Freeport Risk and Counter Fraud Training

National Fraud Initiative

- Key Contacts Training & System User Training
- Shaping the NFI Webinar

Annex 2

Audit extract - 25/26 Annual Report NCC Head of Audit Update, including 2025/26 Opinion

5.1 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 combined with system support.

5.2 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.

5.3 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.

5.4 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 Opinion 2025/26

5.5 From 2023 onwards, the NCC Internal Audit service experienced a number of staffing challenges. However, a new Head of Internal Audit was appointed and started January 2026, together with a new Audit Manager this is expected to strengthen capacity within the team and support the delivery of the approved audit plan.

5.6 A summary of the work completed for 2024/25 and 2025/26 and the associated level of assurance is as follows:

Audit	Focus	2024/25 Outcome	2025/26 Outcome
Payroll	System Control and Processes	Moderate Assurance	Moderate Assurance
Accounts Receivable	System Control and Processes.	Moderate Assurance	Significant Assurance
Accounts Payable	System Control and Processes.	Significant Assurance	Significant Assurance

Annex 2

System Admin and access controls	System Control and Processes.	*No work completed by NCCIA as external audit completed checks on all processes with satisfactory outcome.	**No work to be undertaken
Business Continuity Planning	Governance and Ownership of BC arrangements		Significant Assurance

*No Audit work was undertaken on System Admin and Access Controls in 2025/26 following discussions with the Head of EMSS in 2024/25 which confirmed positive external audits already completed for both LCC and NCC on this service revealing satisfactory processes.

Head of Internal Audit Opinion – 2025/26

5.7 On the basis of audit work undertaken during the 2025/26 financial year, the Head of Internal Audit at Nottingham City Council concludes that a "significant" level of assurance can be provided that the organisation's framework of governance, risk management, and internal control is generally operating effectively. Audit reviews identified that key financial systems and operational processes are in place and functioning adequately, with areas of notable practice across several core systems. The audit outcomes suggest that the organisation is moving in a positive direction, with improving control maturity in key financial systems and an ongoing commitment to strengthening governance and resilience arrangements. This Conclusion is based on the following recommendations for continued improvement being implemented:

Payroll

- Standing data amendments to be tracked.
- Strengthening of controls in the recording and tracking of salary overpayments.
- Agreement of legacy balances for NCC (This has now been completed.)
- Updated process maps for the dealing of salary overpayments should be aligned to both Partners.

Accounts Payable – no recommendations raised

Accounts Receivable

- Key Performance Indicator (KPI) Packs to be further developed with Partners. (This work is already in progress)

Business Continuity Plans

- Frequency of testing to be determined and documented
- Testing to be reported to EMSS Joint Committee

Annex 2

The definition for significant assurance is "*A sound system of governance, risk management, and internal control is in place and operating effectively. Only minor weaknesses or opportunities for improvement were identified, none of which are considered to pose a significant risk to the achievement of objectives.*".

Internal Audit Plan 2026/27

5.8 The current position of the audits in the current year's plan is as follows:

Audit	Status
Payroll 26/27	ToR under consideration
Accounts Receivable 26/27	ToR under consideration
Accounts Payable 26/27	ToR under consideration
Systems Admin & Business Continuity Follow Up 26/27	ToR under consideration

Work is expected to begin on these audits during the third quarter of 2026/27

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CIPFA

Overall conformance with the Global Internal Audit Standards in the UK Public Sector summary

This summary will let you know the conformance across all of the Global Internal Audit Standards in the UK Public Sector. You can use the filters to present the information as required. It will also pull through any text actions you identified to aid reporting got the audit committee and any work you will need to carry out in advance of your external quality assessment.
If you are a local government internal audit team, you may want to remove Domain IIIB Governing the Internal Audit Function – Essential Conditions. You can do this by clicking down arrow on the standards heading/unselect Domain IIIIB.
If you are a non-local government internal audit team, you may want to remove CIPFA Code. You can do this by clicking down arrow on the standards heading/unselect CIPFA Code.

Code	Standard	Reference	Topic area	Conformance	Responsibility of	Actions to address partial/non-conformance
GIAS	Domain I – Purpose of Internal Audit	GIAS Domain I	Purpose of Internal Audit	Generally Conforms	CAE and internal auditors	Implement Root Cause Analysis (RCA) recommendations
GIAS	Domain II – Ethics and Professionalism	Principle 1	Demonstrate Integrity	Generally Conforms	CAE and internal auditors	More training re Ethics & Others & incorporate RCA into audits, Reminder training re Nolan Principles as part of ethics training, Complete annual declarations exercise for all staff
GIAS	Domain II – Ethics and Professionalism	Principle 2	Maintain Objectivity	Generally Conforms	CAE and internal auditors	Better rotation of audits to avoid bias Annual refresher re declarations of interest Revisit risk management role for IA in accordance with the suggestion in the audit report
GIAS	Domain II – Ethics and Professionalism	Principle 3	Demonstrate Competency	Generally Conforms	CAE and internal auditors	Follow up competencies at APR
GIAS	Domain II – Ethics and Professionalism	Principle 4	Exercise Due Professional Care	Generally Conforms	CAE and internal auditors	Improve and update the audit manual, Refresh scepticism training - originally delivered 13/2/25, Develop training matrix distinguishing annual/biennial etc
GIAS	Domain II – Ethics and Professionalism	Principle 5	Maintain Confidentiality	Generally Conforms	CAE and internal auditors	Maintain the annual cull of files and maintain the a retention schedule
GIAS	Domain IIIA – Governing the Internal Audit Function – excl. Essential conditions	Principle 6	Authorised by the Audit Committee	Generally Conforms	CAE	No actions identified
GIAS	Domain IIIA – Governing the Internal Audit Function – excl. Essential conditions	Principle 7	Positioned Independently	Generally Conforms	CAE	Need to consider if Insurance needs adding
GIAS	Domain IIIA – Governing the Internal Audit Function – excl. Essential conditions	Principle 8	Overseen by the Audit Committee	Generally Conforms	CAE	Quality Assurance and Improvement Programme requires annual review. Ensure EQA actions loaded into QAIP and GIAS UK conformance
GIAS	Domain IV – Managing the Internal Audit Function	Principle 9	Plan Strategically	Generally Conforms	CAE	Refresher session required on VFM. Add strategy to key priorities list. Update IA manual. Review strategic plan in December, Checklists after each assignment in what does this mean for the strategic plan, Improve evidence trail of co-ordination & reliance
GIAS	Domain IV – Managing the Internal Audit Function	Principle 10	Manage Resources	Generally Conforms	CAE	Address vacancies, review of competencies as part of APR mapped to CIPFA training plan & record on thrive, Need to roll out additional modules in mk, Assess are we where we should be in AI/IDEA
GIAS	Domain IV – Managing the Internal Audit Function	Principle 11	Communicate Effectively	Generally Conforms	CAE	Develop a stakeholder comms plan, Improve checking and notification of high recs and addressing them in a timely manner, Develop theme or RCA reporting, Provide conclusions in service area - need to establish how to report consolidated risk
GIAS	Domain IV – Managing the Internal Audit Function	Principle 12	Enhance Quality	Generally Conforms	CAE	Need KPI protocols, need more regular customer satisfaction (including addressing issues and opportunities for improvement), CAE reintroduce sample file checks, Improve evidence of supervision & reflect process in audit manual
GIAS	Domain V – Performing Internal Audit Service	Principle 13	Plan Engagement Effectively	Generally Conforms	CAE and internal auditors	Review standard ToE against other LA's, Update MK to reflect changes, Upgrade ToE to ask confirmations on whether fraud, DA or AI is relevant, research further re criteria management uses re achieving objectives, ToE to reflect inclusions as well as exclusions & Training on scope boundaries & exclusions etc, Understand and train for management establishing goals and VFM, Develop ToE/working papers to include analytical procedures including reviewing peers
GIAS	Domain V – Performing Internal Audit Service	Principle 14	Conduct Engagement Work	Generally Conforms	Internal auditors	Ensure DA/AI strategy/policy is signed off, Additional training on due professional care, Develop RCA, Improve feedback loop to management when we determine a HI to enable risk registers to be updated, Develop RCA & themes, Develop MK ToE and report to reflect revised terminology including conclusions and RCA, HoIAS needs to re-establish file reviews
GIAS	Domain V – Performing Internal Audit Service	Principle 15	Communicate Engagement Results and Monitor Action Plans	Generally Conforms	CAE and internal auditors	Develop conciseness, improve client close down meeting, Standard recs implementation assurance needs improving

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Role	Responsibilities	Evidence (& actions required)

Head of Internal Audit Service
Develop, maintain and report on a Quality Assurance Improvement Programme (QAIP)
	• Develop and maintain the governance structure for the Internal Audit Service including:
	  ○ Internal Audit Strategy and **Data Analytics/AI Strategy** approved by Chief Financial Officer (CFO)
	  ○ Internal Audit Charter(s) – revised in line with IASAB changes when required and reported to Committees
	  ○ **Standard Procedures (IA Manual)**
	  ○ Internal Audit Annual Service Plan
	  ○ Counter Fraud Biennial Work Plan
	  ○ **Combined Assurance Model**
	  ○ Self-assessment against Code of Practice for the Governance of IA in LG
	• Develop and maintain internal audit policy and practice to ensure that they conform to the GIAS UK (public sector)
	• Undertake an annual GIAS UK (public sector) self-assessment to ensure conformance
	• Annual self-assessment against the CIPFA Statement on the role of the Head of Internal Audit in Local Government
	• Annually arrange, review and record staff: -
	  ○ self-assessments against the Standards' Code of Ethics – reminder to review and update
	  ○ declarations of interest
	• Ensure independent external quality assessment is performed at least once every 5 years
	• Maintain an improvement plan on the results of ongoing and periodic assessments of quality
		• Roles and responsibilities are clearly identified in job descriptions/person specifications
		• Audit Charters approved by respective senior management and committees responsible for the internal audit function.
		• Annual Service Plan
		• Annual GIAS UKPS internal self-assessment and QAIP improvement plan
		• Conduct self-assessment against CIPFA Statement
		• Head of Internal Audit Service annual report and conclusion on governance, risk and control includes the results of the QAIP
		• Balanced Internal Audit Plan - appropriately resourced
		• Performance framework sets out requirements for people strategy and performance monitoring
		• Annual appraisal of performance of HoIAS by AD Finance, Commissioning & Transformation (informed by others) and throughout the team using the corporate APR process

Role	Responsibilities	Evidence (& actions required)

	• Communicate the results of the QAIP to senior management and the appropriate bodies' committees with responsibility for the internal audit function namely: -
	  ○ Corporate Governance Committee – Leicestershire County Council
	  ○ Finance & Audit Subcommittee – ESPO
	  ○ Pension Board – Leicestershire Pension Fund
	  ○ Corporate Governance Committee – Leicestershire Fire & Rescue Service
	• Report any significant non-conformance in the appropriate bodies' Annual Report and Annual Governance Statement.
	• Inform any annual review of the system of internal audit undertaken by the organisation
	• Undertake regular stakeholder communications to assess the degree to which the Internal Audit Service meets customer expectations (formal and informal)
	• induction programmes, training plans and associated training activities
	• maintain training records and training evaluation procedures
	• ensure professional staff are completing their institutes' CPD
	• the ongoing investment in tools to support the effective performance of internal audit work (for example data interrogation software)
	• Undertake periodic benchmarking and/or obtain information on operating arrangements and relevant best practice from other similar audit providers for comparison purposes
		• HoIAS review of contentious, sensitive draft reports and sign off
		• Rotation of team supervision / people
		
		Actions
		
		• Report DA/AI strategy to CFO or CMT? (#1)
		• Update Audit Manual (#2)
		• Develop a LCC Assurance Map (#3) & report to CMT
		• Develop more regular formal assessments of IAS quality and value with key stakeholders (#4)
		• Re-introduce formal training plans in APR process (#5)

Role	Responsibilities	Evidence (& actions required)
Head of Internal Audit Service Obtain periodic assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit standards	**Periodic quality assurance assessments** Review work performed to ensure conformance with the GIAS UKPS and LCCIAS policies and procedures – to include the following key stages **Audit Process** ○ Ensure engagements were conducted in accordance with practice. ○ That the Audit Manager allocated the right people, with appropriate skills and experience, to perform the audit ○ Ensure DA/AI, CF, VFM are considered ○ Quality of engagement planning and supervision ○ Quality of working papers and evidence to support conclusions and recommendations. ○ Depth/scope of Audit Manager review points ○ Quality of communications of results and the final report ○ Assess how well the audit delivered and added value to governance, risk and control framework of the organisation **Performance** ○ Ensure the work was achieved within budgets (time/pace) ○ Achieved performance standards **People** ○ Ensure individual auditors are trained and developed with appropriate performance evaluations undertaken at audit engagement level and individual performance appraisal are completed	• Recording the outcome of ongoing QA – using standard checklist based on conformance with definition of IA, code of ethics and *Standards* on a sample of audits. • Monitoring of the outcome of post audit debrief discussions • Monitoring of the outcome of post audit questionnaire feedback – • Monthly 1:1 for Audit Managers • Annual performance appraisal • Individual training and development plans • Service training and development plan **<u>Actions</u>** • Re-introduce HoIAS periodic second review of engagement records (#6)

Role	Responsibilities	Evidence (& actions required)
Role	**Responsibilities (& actions required)**	**Evidence (& actions required)**
Audit Managers Obtain on-going assurance that engagement planning, fieldwork conduct and reporting /communicating results adheres to audit practice standards Undertake engagement supervision and review to varying degrees	**Ongoing monitoring – quality built into the audit process** Quality checks and oversight undertaken throughout the audit engagement ensuring that processes and practice are consistently applied and working effectively. It covers the whole of the audit process but primarily these key stages: **Engagement Planning** ○ Ensure that the audit engagement is allocated with the appropriate resources - right people with the right skills to identify significant issues ○ Provide suitable instructions at the outset of the engagement ○ Risks relevant to the activity under review have been assessed and the scope and coverage of the audit reflects this risk assessment ○ Exclusions are sensible ○ Three lines model has been identified and recoded ○ Approve the Terms of Engagement (ToE) prior to the commencement of the fieldwork **Fieldwork** ○ Ensure that audits are conducted as planned and that any (significant?) variations are approved in advance of undertaking them	• ToE agreed with auditors & approved • ToE monitored for delivery – budget and pace • Sign off controls and tests to ensure compatible with the audit scope • Review and sign-off working papers and draft report • Supervision – 1:1 • Completion of review check list • Completion of post audit de-brief • Review of customer feedback • Quarterly progress meetings with large clients County, Pensions, ESPO, and Fire reports completed for each client • Annual conflict of interest form & assessment at each audit engagement • Assist HoIAS to follow up on HI recommendations and reporting to Committees

Role	Responsibilities	Evidence (& actions required)
	○ Ensure that appropriate controls and tests are used to deliver the expected assurance results ○ Ensure the correct test score has been applied based on the evidence collated ○ Ensure that findings, conclusions and recommendations (using RM scoring) are adequately supported by relevant, reliable and sufficient evidence ○ Ensure that appropriate working papers have been prepared and maintained – with information gathered is adequately described and retained. ○ That the evidence gathered identifies the cause and effect (impact) of the issues identified and their significance. ○ Develop and undertake root cause analysis for HI recommendations ○ Ensure that work identified in the planning stage has been completed and specific post ToE exclusions have been detailed. **Communicating results / report** ○ Ensuring that reports are accurate, objective, clear, concise and timely ○ Obtain assurance that key findings have been sufficiently communicated to the client so no surprises at the closure meeting ○ Review and sign off the draft report ○ Ensure high importance recommendations are re-tested to ensure implementation ○ For other recommendations ensure they're followed up at the required time and gaining sufficient information to confirm implementation	• Risk plotter in use for all recommendations • Oversee auditors follow up of audit recs **Actions** • Root cause analysis evidence of process (#7)

Role	Responsibilities	Evidence (& actions required)
	Performance ○ Ensure that the work is achieved within the resource budget (time budgets and date span) ○ Sign off Post Audit Debrief with individual auditor at the end of each audit engagement identifying opportunities for improvement at the audit and individual level **Monitor overall performance of team** ○ Develop and maintain audit schedule for each client ○ Complete quarterly progress reports for each area of client responsibility ○ Undertake regular liaison meetings with clients	

Role	Responsibilities (& actions required)	Evidence (& actions required)
Auditors (including Agency) Behave at all times in accordance with the Code of Ethics / Code of Conduct. Conduct all audit engagements in accordance with GIAS UKPS Promote the standards and their use throughout the Internal Audit Activity Commitment to delivering quality services	Take full responsibility for the sufficiency of audit procedures to find out what could be reasonably found by a prudent and informed auditor. Display due professional care in the performance of their responsibilities – maintaining ○ Integrity ○ Objectivity ○ Confidentiality ○ Competency All work conforms to written policies and practice notes, including: - **Engagement Planning** ○ Ensuring right resources used ○ Conduct (or be given by the Audit Manager) a preliminary assessment of the risks to the activity under review – identifying relevant information / potential significant issues ○ Determine the audit approach and scope of the review to enable the objectives of the audit engagement to be achieved and an assurance opinion to be given on the governance, risk and control arrangements of the activity. Agree this approach and the audit work plan with Audit Manager ○ Co-ordinate / correlate audit work with other sources of assurances ○ Develop and agree Terms of Engagement client brief – clearly articulating the assurance we intend to provide – scope of our	• Completion of relevant case management systems sections • Working papers ○ System notes – with linked relevant information ○ Testing strategy / results ○ Review • Draft report • Post Audit De-Brief Document • Post Audit Questionnaire • Records of 1:1 and individual improvement actions • Performance appraisal including training and development plan • Completion of CPD where required

Role	Responsibilities (& actions required)	Evidence (& actions required)
	work and any limitations (what we are not going to review) – ensure the ToE meets client expectations o Adhere to planning practice standards **Fieldwork** o Adhere to working paper practice standards o Ensure that sufficient and relevant work has been performed to substantiate findings and that the information has been effectively reported to the client on a timely and factual basis. o Ensure that the steps identified in the audit plan and audit testing programme have been completed effectively o Identify sufficient, reliable, relevant and useful information to achieve the engagement objectives o Document relevant information to support testing results and the report o Ensure that conclusions and results are based on appropriate analyses and evaluations - should be factual, adequate and convincing so that a prudent, informed person would reach the same conclusions of the auditor. **Communicating results / report** o Adhere to reporting practice o Communicate significant findings during the audit so no surprises at the closure meeting discussing the draft report o Draft audit report – meeting the engagement objectives and scope giving appropriate conclusions, recommendations and action plans. Provide an overall assurance conclusion based on significance and importance of the finding / activity.	

Role	Responsibilities (& actions required)	Evidence (& actions required)
	○ Ensure that reports are accurate, objective, clear, concise and timely **Performance** ○ Audit engagement is delivered on time and within budget and to required quality ○ Post audit debrief (PAD) is completed for all audit engagements identifying what's gone well, lessons learnt and any opportunities for improvement ○ Post Audit Questionnaire is completed for all audit engagements obtaining customer feedback ○ Audit work plan developed and agreed with Audit Manager	

Role	Responsibilities (& actions required)	Evidence (& actions required)
External Suppliers Deliver agreed internal audit reviews	Develop and maintain Quality Assurance Improvement Programme Audit Process • Provide draft & final reports to respective Audit Manager • Expected to follow (or be mindful of) our client engagement process and complete quality assurance documents	Confirmation that they conform to the GIAS UKPS Complete: • planning document • Audit check list • Review check list • Obtain feedback - Post Audit Questionnaire • Post Audit Debrief

Actions (due date) following review and revision of QAIP in June 2026

1. Gain approval by CFO/CMT to Data Analytics/AI strategy (**end of June 2026**)
2. Update IA manual (**end of September 2026).** Unless significant changes, review annually in line with HoIAS Annual Report)
3. Develop and present draft assurance map to CMT/Committee (**end of September 2026**). Review for Annual Plan.
4. Develop framework of regular formal assessments of IAS quality and value with key stakeholders (**end of September 2026)**
5. Re-introduce formal training plans in APR process (**end of June 2026**)
6. Re-introduce HoIAS periodic second review of engagement records (**end of June 2026**)
7. Introduce root cause analysis evidence of process (**end of July 2026**)

Neil Jones, Head of Internal Audit & Assurance Service 2 June 2026

Declan Keegan, Director of Corporate Resources 2 June 2026

Agenda Item 14

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 June 2026

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE ASSISTANT DIRECTOR OF LAW AND GOVERNANCE

PROVISIONAL DRAFT ANNUAL GOVERNANCE STATEMENT 2025-26

Purpose of the Report

1. The purpose of this report is to:

   (a) Outline the background and approach taken to produce the County Council's 2025-26 provisional draft Annual Governance Statement (AGS)

   (b) Present the provisional draft AGS for comment by the Committee prior to publishing it on the Council's website by 30 June 2026 alongside the draft County Council Statement of Accounts for 2025-26.

Background

2. Regulations 6 (1) (a) and (b) of the Accounts and Audit Regulations 2015 (the Regulations) require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS), prepared in accordance with proper practices in relation to internal control.

3. 'Delivering Good Governance in Local Government: Framework' by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) (2016), and the addendum published in 2025, sets the standard for local authority governance in the UK. The preparation and publication of an AGS in accordance with the Framework fulfils the statutory requirement.

4. The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.

5. The AGS encompasses the governance systems applied in both the Authority itself, and any significant group entities e.g. ESPO, East

Midlands Shared Services (EMSS) during the financial year being reported. Commercial and collaborative arrangements that the Council is involved in are also reported to provide a fuller picture including assurances.

6. To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework and that the conclusions and future challenges are appropriate, the CIPFA/SOLACE Framework requires high level input from the Committee into the AGS. A provisional draft AGS for 2025-26 (attached as Appendix A to this report) has been produced for initial consideration and any comments made by the Committee will be duly considered and incorporated as appropriate. The final AGS will accompany the published audited accounts in the usual way.

7. The provisional draft AGS has already been considered by a Senior Officer Group comprising of:

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

Approach

8. The review of the effectiveness of the County Council's system of internal control and overall corporate governance arrangements requires the sources of assurance, which the Council relies on, to be brought together and reviewed, from both a departmental and corporate view.

9. The planning and undertaking of assurance and advisory engagements, knowledge of, and co-ordination with, other assurance providers and specific requirements under the Global Internal Audit Standards (GIAS) in the UK Public Sector, leaves the Head of Internal Audit Services (HoIAS) well placed to compile the AGS. The process of preparing the AGS adds value to the corporate governance and internal control framework. CIPFA is of the opinion that the HoIAS should not draft the AGS, but where this is the practice, it should be documented in the audit charter, as is the case. At the Council, the AGS remains a corporately owned document overseen by a Senior Officer Group which alleviates the risk of impairment.

10. The revised CIPFA/SOLACE Framework (the Framework) requires local authorities to review arrangements against their Local Code of Corporate Governance. The Council's Local Code was revised in May 2026. Changes in legislation may also require the Code to be reviewed.

11. To ensure the provisional draft AGS represents an accurate picture of the governance arrangements for the whole Council, each Director completes a 'self-assessment' designed to ensure conformance (or otherwise), within their departments, with the corporate governance arrangements as detailed in the Council's Local Code of Corporate Governance during the financial year 2025-26. The self-assessment also allows for the recognition and recording of areas where developments are required.

12. The departmental self-assessments require a corresponding score to be given reflecting the department's positions regarding practice, standards and quality. This is a gauge of effectiveness. The application of a quantitative approach to assessing compliance against the Local Code of Corporate Governance allows the Committee and public at large to obtain necessary assurance that the Council operates within an adequate internal control environment.

13. The completed statements were analysed along with various other sources of evidence to determine whether there were any significant governance issues that should be reported in the provisional draft AGS. Other sources include:

    a. Reports provided by internal and external audit and other assurance sources and the implications of these reports for the overall governance of the Council.
    b. The Head of Internal Audit Service's annual overall conclusion on the Council's governance, risk management and internal control arrangements.
    c. Evaluation of any negative media articles.

14. The provisional draft AGS assesses governance arrangements in place during 2025-26.

Outcome of the 2025-26 review of the Governance Framework

15. The County Council has defined 'Significant Governance Issues' as those that:

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

h. The issue has resulted in a legal breach or prompts intervention from a regulator.

16. The final AGS for the two previous financial years (2023-24 & 2024-25) contained details of six significant governance issues that arose during those financial years. Section 7 of the provisional draft AGS (Appendix A) provides details of the progress made during 2025-26 to address the six issues.

17. During the review of the 2025-26 provisional draft AGS; the Senior Officer Group determined that there were two new significant governance issues that require reporting (refer to section 8 of the Appendix for more details). They relate to: -

(a) Members Code of Conduct issues – the volume and nature of complaints and the impact on public confidence and the Council's reputation.

(b) Deficit Schools Balance – a net deficit for maintained primary schools in 2025-26 of £3.6m. The budget submissions for 2026/27 are expected to show that the majority of the maintained schools will need to apply for a deficit license for the next 3-5 years.

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

19. At the time of producing this report, full details of any developments identified by departments in their self-assessments of conformance to governance arrangements, had not been completed. These will be entered in the Annex before the draft AGS is published with the draft Statement of Accounts on 30 June.

20. The Code of Practice on Local Authority Accounting in the UK 2025-26 (the Code) states that the AGS should relate to the governance system as it applied to the financial year for the accounts that it accompanies. However, significant events or developments relating to the governance system that occur between the Balance Sheet date and the date on which the Statement of Accounts is signed by the responsible financial officer should also be reported if pertinent to the prior year. Therefore, in the event of the above occurring, the AGS presented in the Appendix would change at the time of its final publication.

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

Conclusion

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

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

Recommendations

23. The Committee is requested to:

a. Consider the provisional draft AGS 2025-26 (Appendix A) and indicate whether it is consistent with the Committee's own perspective on internal control within the Authority.

b. Note that there are two significant governance issues reported in the provisional draft AGS 2025-26.

c. Note that the provisional draft AGS 2025-26 which may be subject to such changes as are required by the Code of Practice on Local Authority Accounting, has been prepared in accordance with best practice.

Resource Implications

24. None.

Equality and Human Rights Implications

25. None.

Background Papers

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

Report of the Director of Corporate Resources – 'External Audit of the 2024-25 Statement of Accounts, Annual Governance Statement and Pension Fund Accounts' - Corporate Governance Committee 23 January 2026

https://democracy.leics.gov.uk/documents/s194117/CGC%20-%20230126%20-%20SOA%20Holding%20Report.pdf

Circulation Under the Local Issues Alert procedure

None

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List of Appendices

Appendix A – Provisional Draft Annual Governance Statement 2025-26

Leicestershire County Council

Provisional Draft Annual Governance Statement (AGS) 2025-26

1. Introduction

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

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

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

2. What is Corporate Governance?

Corporate governance is how organisations ensure they act correctly, transparently, and accountably for the right people. The Council's governance framework includes its systems, processes, culture, and values by which the Council is directed and controlled. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money.

The Framework sets the standard for local authority governance in the UK, and the Council is committed to the principles of good corporate governance contained in the Framework. The Council has developed, adopted, and continued to maintain a Local Code of Corporate Governance which sets out the way the Council meets the principles outlined in the Framework. The Local Code of Corporate Governance can be found on the LCC internet.

3. Leicestershire's Vision and Outcomes

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

It is good practice to review year-end progress, benchmark against other authorities, and publish transparent, scrutinised performance reports. The Annual Delivery Report outlines progress against plans, achievements over the previous 12 months, and performance against priorities as set out in the Strategic Plan 2022–26, including financial sustainability and emergent implications for service demand and outcomes. The Performance Compendium outlined the inequity in national funding and the Council's Fair Funding proposals, transformation requirements and national and local service pressures, as well as detailed comparative performance metrics.

The Strategic Plan (2022–26), approved by the Council on 18 May 2022 was refreshed for the 2024–26 period.

4. What the Annual Governance Statement Tells You

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

The 2025-26 AGS has been constructed by undertaking: -

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

5. Review of Effectiveness of the System of Internal Control

To ensure the 2025-26 AGS presents an accurate picture of governance arrangements for the whole Council, each Director was required to complete a 'self-assessment', which provided details of the measures in place within their department to ensure conformance (or otherwise) with the seven core principles of the Local Code of Corporate Governance. Responses were accumulated to provide a high-level overview found in the Annex.

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

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

The group has previously determined that progressing areas identified for development should be the responsibility of designated Directors and Heads of Service during 2026-27. A review of progressing the implementation of previous years planned developments will be undertaken. Any previous year's developments that were not carried forward into 2025-26 or reported through the Corporate Risk Register process will continue to be monitored.

6. Forms of Assurance

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

The Control Environment of Leicestershire County Council

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

Internal Audit Service

The Council's Head of Internal Audit & Assurance Service (HoIAS) advises the Corporate Management Team on governance and leads the Internal Audit Service to meet organisational and stakeholder needs, providing assurance on the Council's governance, risk management and control and escalating concerns where necessary.

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

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

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

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

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

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

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

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

Risk Management

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

The Council's Risk Management Policy and Strategy (which provide the framework within which risks can be managed) were reviewed, revised, and approved by the County Council in February 2026. An internal audit of the Council's risk management reported substantial assurance with some moderate control improvements required but core risk management processes are in place. An independent review of the framework is to be scheduled with the Council's insurers.

Overview and Scrutiny

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

The challenge provided by the overview and scrutiny function has continued to be crucial in shaping Council policy and helping to ensure the delivery of efficient, high-quality services. An annual report which summarised the work undertaken during 2025-26 will be presented to the County Council in July 2026.

Corporate Governance Committee

The Corporate Governance Committee is responsible for promoting and maintaining high standards of corporate governance within the Council and receives reports and presentations that deal with issues that are paramount to good governance. Terms of reference for the Committee were revised in December 2024 (next due June 2026) and have been categorised to more clearly set out the varied roles and functions of the Committee.

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

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

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

The Monitoring Officer submits an annual report to the Corporate Governance Committee (*) on the operation of the Members' Code of Conduct and arrangements for dealing with complaints. At its meeting of 24 November 2025, a report 'Complaints Received Under the Members' Code of Conduct' which covered the period 1 October 2024 to 1 October 2025.

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

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

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

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

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

The Chief Financial Officer (CFO)

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

The Financial Management Code

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

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

Local (External) Audit

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

The Auditor's Annual Report (AAR)

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

Opinion on the Financial Statements

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

Annual Audit Plan for the 2025-26 Accounts

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

The Monitoring Officer

The Chief Legal Officer & Monitoring Officer undertakes the statutory role of Monitoring Officer (MO) for the Council and is a member of the Corporate Management Team. The MO has responsibility for:

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

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

Senior Information Risk Owner

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

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

Commercial and Collaborative Bodies Governance Arrangements

Commercial

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

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

Eduzone is a private limited company that supplies Early Years educational products and Early Years furniture to schools, nurseries, and child minders. ESPO acquired the company following the necessary due diligence in 2018. The incorporation of Eduzone into ESPO Trading Limited was completed in March 2026.

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

Leicestershire Traded Services (LTS), within Corporate Resources, is reported on quarterly alongside departmental performance and reviewed by member bodies. The 2024–25 Annual Report was considered

by the Scrutiny Commission on 10 November 2025, with additional briefings provided. In July 2025, Cabinet approved closing the School Food Service from July 2026.

Collaborative

East Midlands Shared Service (EMSS)

EMSS is constituted under Joint Committee arrangements to process payroll/HR and accounts payable and accounts receivable transactions for Leicestershire County Council and Nottingham City Council. The Leader and the Cabinet Lead Member for Finance and Resources are the Council's elected representatives on the Committee. The Assistant Director (Finance, Transformation and Commissioning) is the Council's officer representative.

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

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

Local Pension Fund

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

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

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

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

Local Government Pension Scheme (LGPS) - Central Pool

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

Following the May 2025 Fit for the Future response, mandatory asset pooling and stronger governance are being implemented. From April 2026, Central manages around £100bn for 14 funds. Updated governance and

agreements are in place, with transitional arrangements until a new model is introduced in autumn 2026. The Fund will continue working with Central and partners to implement these changes and protect member interests.

Pensions internal audit arrangements

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

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

Active Together

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

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

Leicester and Leicestershire Business & Skills Partnership

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

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

Integrated Care Systems (ICS)

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

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

Leicestershire Health and Wellbeing Board

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

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

The 2025-26 BCF Policy Framework was published in January 2025 and updated in March 2025

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

Health and Wellbeing Board is reported in an annual report and is also reported in the annual reports of Clinical Commissioning Groups (CCGS).

East Midlands Freeport

The East Midlands Freeport (EMF) is the UK's only inland Freeport and features three main 'tax sites' straddling three East Midlands counties. The EMF brings together a mix of industries, businesses, and other collaborating partners, combining public and private sector expertise. The County Council (which is the accountable body) has participated in a governance assurance reviews with MHCLG officials, with satisfactory outcomes.

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

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

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

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

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

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

consolidated action plan. An Assisted Transport Improvement Board, chaired by the Director and comprising senior representatives from key services, has been established to oversee changes required. Longer-term, complex improvements will continue to be overseen by the Assisted Transport Programme Delivery Board.		arrangements by the end of December.	approach. The service is actively working towards further enhancements, ensuring it stays ahead and adapts to changing needs. The Assisted Transport Programme has driven substantial improvements for service users and the team, as well as delivered significant savings. The Department has a clear plan for future improvements.
Capital Programme The Council manages several large, complex capital projects with significant financial and procurement risks, exacerbated by ongoing inflation. Its risk management approach will be reviewed to ensure risks are addressed early and appropriate contingencies are in place.	**Director of Corporate Resources** October 2024	Building on this work, the Council is focusing on strengthening programme-wide risk management across its diverse and growing capital programme. As the programme expands, following the award of Local Transport Grant, priority will be given to proactive risk management, clear roles & responsibilities, and auditable decision-making, using lessons learned and established tools and templates.	Work is ongoing to embed the recommendations from the lessons learned review and ensure a consistent corporate approach to large capital schemes. A toolkit is now in place to inform decision making. The Capital Programme Board is being refreshed, and this board will continue to monitor improvements.
Issue Area for Improvement (AGS) 2024-25	**Lead Officer and Date**	**Progress during 2024-25**	**Progress during 2025-26**
Education, Health, and Care Plans Identified in the Auditor's Annual Report 2022-23 as an area requiring improvement - timeliness of EHCP had fallen well short of the 20-week expected timescale for completion.	Director of Children & Family Services Ongoing	A recovery plan is in place to restore timeliness to the 20-week target. Performance has improved, reaching 14% within timeframe by September 2025 (Jan–Sept cumulative), with average completion reduced to 24 weeks (from 62.5 weeks in Dec 2024). Compliance is expected within the next three months.	Timeliness has now been under 20 weeks since December 2025. The average time to issue is now consistently at 17weeks. This is despite significant increases in Education Health and Needs Assessment requests demonstrating a sustainable approach to ensure timeliness remains compliant with the statutory timeframes.
Procurement Identified in the Auditor's Annual Report (AAR) 2023-24 as an Area for Improvement under improving economy, efficiency, and effectiveness - Work needs to continue to reduce the number of	Assistant Director (Finance, Transformation and Commissioning), Corporate Resources Department ongoing	The Council established a Corporate Procurement Board in January 2024 to approve exceptions and certain contract extensions. Improved procurement planning, alongside training and better tools, has reduced	Further improvement in 2025/26 with 27 exemptions being required. Corporate Procurement Board remains in place and meets fortnightly to review requests for new procurements, extensions,

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

		fundamental to the long-term sustainability of SEND	leaders continue to scrutinise high-cost placements and expand maintained specialist provision. Ongoing work under the White Paper aims to prioritise a mainstream-first approach to support long-term financial sustainability.

8. Significant Governance Issues Arising During 2025-26

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

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

• School Places Strategy being followed; • Reporting mechanism to Schools Forum in place.	

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

The Code of Practice on Local Authority Accounting in the UK 2025-26, requires that significant events or developments relating to the governance system that occurred between the Balance Sheet date, (31 March), and the date on which the Statement of Accounts will be signed by the responsible financial officer, are reported. The draft AGS will be updated in line with the Code of Practice.

9. Future Challenges

Significant challenges faced by the Council are detailed within the Corporate Risk Register, which is regularly reviewed by the Corporate Management Team and presented to the Corporate Governance Committee (the Committee). Managing these risks adequately will be an integral part of both strategic and operational planning; and the day to day running, monitoring, and maintaining the Council. The most recent update of the Corporate Risk Register was received by the Committee at its meeting on 26 June 2026.

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

Transitioning to a new County Council administration

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

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

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

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

Local Government Reorganisation

In February 2025, the Minister of State for Local Government and English Devolution set out the formal invitation to the County Council (and all local authorities in two-tier areas and neighbouring unitary authorities) to develop a proposal for local government reorganisation which required interim plans to be submitted to the Government by 21 March 2025. The Council submitted its interim plan for reorganisation and other proposals were sent to

the government by Leicester City Council and Leicestershire's district councils in conjunction with Rutland County Council. The government has provided initial feedback on the interim plans so that final proposals can be worked on and submitted by the end of November 2025. In November 2025 the Council submitted its business case for Local Government Reorganisation. After a period of statutory consultation, the Council is now awaiting the outcome of the Minister's decision on a preferred model for LGR, which is due in July 2026. Following on from this there will be an expectation of interim democratic governance and formal project governance, with a preparation for Joint Committees and Shadow Authority elections in 2027 required. Regardless of the outcome of the government's decision and its preferred way forward, there will follow a period of intensive work and demand on internal resources and short-term uncertainty and instability which will require mitigation.

Financial Sustainability

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

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

Covid-19 Public Inquiry

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

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

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

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

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

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

Local Context & Impact
Historically, Leicester and its surrounding county were among the hardest hit in the country, experiencing extended localized lockdowns. A separate government-commissioned review highlighted that Leicester City

Council and Leicestershire County Council successfully collaborated to proactively share localized outbreak learning with other authorities across the UK.

CONTEST Strategy

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

Artificial Intelligence and cyber security

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

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

Procurement Regulations 2024

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

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

Expected Service and National Reforms

Adult Social Care

- An adult social care sector pay agreement which would see pay increasing above national minimum wage levels;
- Baroness Casey independent commission into adult social care commencing in 2025. This will be a two-stage review with stage one reporting in 2026 and stage two reporting in 2028. The first phase will consider current and medium-term reform and recommendations within the current financial spending envelope. Phase two will consider longer term recommendations on the future of Adult Social Care delivery and funding models;
- The Casey Commission will inform the development of a national care service framework with new standards and responsibilities for councils;
- Mental Health Bill which has additional duties and responsibilities for local authorities.
- In June 2026, the Supreme Court in A Reference by the Attorney General for Northern Ireland [2026] UKSC 16 significantly reformed the legal framework for deprivation of liberty, overturning its 2014 decision in

Cheshire West. The Court held that the previous "acid test" (continuous supervision and control and not free to leave) was overly rigid and inconsistent with European Convention on Human Rights jurisprudence, replacing it with a fact-sensitive, multi-factorial assessment of an individual's circumstances. Crucially, the judgment recognises that individuals who lack capacity to decide on their care arrangements may nonetheless be capable of giving valid consent through the expression of their wishes and feelings, meaning that some care arrangements may fall outside Article 5 safeguards altogether. This decision is expected to have wide-ranging implications for adult social care practice, including potential reductions in Deprivation of Liberty Safeguards (DoLS) authorisations, but also introduces legal and operational uncertainty pending further national guidance and potential legislative reform.

Children & Family Services

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

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

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

Waste Reforms

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

10. Certification

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

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

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

Credit must be given to our excellent staff, who continue to work under tight budgetary controls yet still deliver high quality services.

With many pressures over the horizon, we are confident that the Council is well placed to meet these challenges.

Jane Moore
Chief Executive

Dan Harrison
Leader of theCouncil

Annex

AREAS FOR FURTHER DEVELOPMENT IN 2026-27

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

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

Examples of key actions is summarised in the table below.

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

Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)		
Core Principles of the Framework	**Overall Assessment**	**Action to Develop Areas Further in 2026-27 (Ongoing and New)**
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law		To be completed
Principle B: Ensuring openness and comprehensive stakeholder engagement		
Principle C. Defining outcomes in terms of sustainable economic, social, and environmental benefit		
Principle D. Determining the interventions necessary to optimise the achievement of the intended outcomes		
Principle E. Developing the entity's capacity including the capability of its leadership and the individuals within it		
Principle F. Managing risks and performance through robust internal control and strong public financial management		

Principle G. Implementing good practices in transparency reporting and audit to deliver effective accountability		

Agenda Item 15

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE ASSISTANT DIRECTOR OF LAW AND GOVERNANCE

LOCAL CODE OF CORPORATE GOVERNANCE

Purpose of the Report

1. The purpose of this report is to seek the Committee's support for the revised Local Code of Corporate Governance.

Background

2. Delivering Good Governance in Local Government: Framework (the Framework), published by CIPFA in association with Solace in 2007, sets the standard for local authority governance in the UK. CIPFA and Solace reviewed the Framework in 2015 to ensure it remained 'fit for purpose' and published a revised edition in spring 2016.

3. The concept underpinning the Framework is that it helps local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The Framework is intended to assist authorities individually in reviewing and accounting for their own unique approach. The overall aim is to ensure that:
   - resources are directed in accordance with agreed policy and according to priorities.
   - there is clear accountability for the use of those resources to achieve desired outcomes for service users and communities.
   - there is sound and inclusive decision making.

4. The Framework defines seven core principles that should underpin governance within a local government organisation.
   - Behaving with integrity
   - Ensuring openness
   - Defining outcomes
   - Determining effective interventions
   - Developing capacity
   - Managing risks and performance
   - Transparency and effective accountability

5. The Framework provides a structure to help individual authorities with their approach to governance. How an organisation designs its governance structure is for it to decide, although it should be able to demonstrate that it complies with the core and sub-principles contained in the Framework. It should therefore develop and maintain an up-to-date local code of corporate governance, including arrangements for ensuring ongoing effectiveness. The term 'local code' essentially refers to the governance structure in place as there is an expectation that a formally set out local structure should exist, although in practice it may consist of a number of local codes or documents.

6. Whilst it is not a statutory requirement, CIPFA recommends that all local government bodies develop a local code of corporate governance.

7. In May 2025, CIPFA and Solace released an addendum to the Framework for application to annual governance statements for 2025/26 onwards. The addendum introduced the concept of core arrangements within each of the seven core principles (Appendix 3). The addendum implies that governance arrangements that address areas core to good governance should be documented in the local code.

The County Council's Local Code of Corporate Governance

8. The Corporate Governance Committee (the Committee) is responsible for the promotion and maintenance of high standards within the Authority in relation to the operation of the Council's Local Code of Governance (the Local Code). It has a responsibility to review the Local Code as necessary and make recommendations to the County Council to ensure that it remains relevant to the Council's work and practices.

9. The Committee last considered the Local Code at its meeting on 13 May 2022. For the May 2026 revision, input was provided by the Chief Legal Officer and Monitoring Officer, the Head of Governance and Strategy, the Democratic Services Officer, the Assistant Director (Finance, Transformation and Commissioning) and the Head of Internal Audit and Assurance Service.

10. The Council's own governance arrangements set out in the Local Code were reviewed to ensure that they adequately addressed the core arrangements outlined in the CIPFA addendum, with this evaluation conducted on a principle-by-principle basis. A significant proportion of the core arrangements were found to be fully or partially addressed. For a small number, the relevant arrangements are documented under alternative core principles.

11. The Council's revised Local Code of Corporate Governance (April 2026) is included as Appendix 1. It is intended that once it has been considered by the Committee the revised version will be published on the Council's website within the 'How the council works' section and added to the Elected Members' Portal. Managers will be encouraged to discuss the revised Local Code with their teams so that they remain aware of the Council's commitment to the principles of good governance and ensure they are operated effectively in practice through values, behaviours, and actions.

12. Additionally, Departments self-assess their conformance to the governance arrangements contained in the Code, and the outcomes are reported in the Council's Annual Governance Statement which is a statutory requirement.

13. The May 2026 Local Code represents an evolution rather than a fundamental redesign of the 2022 framework. The principal differences are:

    - Alignment with new national guidance and standards (CIPFA addendum, audit standards)
    - Strengthened governance assurance, transparency and accountability mechanisms
    - Expansion to reflect modern risks (AI, cyber), financial oversight, and procurement governance
    - Updated to reflect current strategies, partnerships and organisational developments

    An analysis of key changes is shown in Appendix 2.

Conclusion

14. Overall, the Council's revised Local Code of Corporate Governance demonstrates a more mature, comprehensive and up-to-date governance framework, supporting improved assurance and compliance with current best practice. Additionally, it substantially aligns to the Best Value Standards and Intervention statutory guide for best value authorities. (MHCLG).

15. Further reviews and revisions are scheduled annually or as required in the event of changes in legislation etc.

Recommendations

16. The Committee is requested to confirm the Local Code of Corporate Governance (May 2026) has been reviewed and amended as necessary to ensure that it remains relevant to the Council's work and practices.

Resource Implications

17. None.

Equality and Human Rights Implications

18. None.

Background Papers

Delivering Good Governance in Local Government: Framework CIPFA/SOLACE, 2007, 2012 and 2016.
Delivering Good Governance in Local Government: Framework – addendum 2025

Circulation Under the Local Issues Alert procedure

None

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List of Appendices

Appendix 1 – Local Code of Corporate Governance (May 2026).

Appendix 2 – Analysis of key changes between Local Code April 2022 and May 2026.

Appendix 3 – Core arrangements for the Local Code of Corporate Governance.

Leicestershire County Council

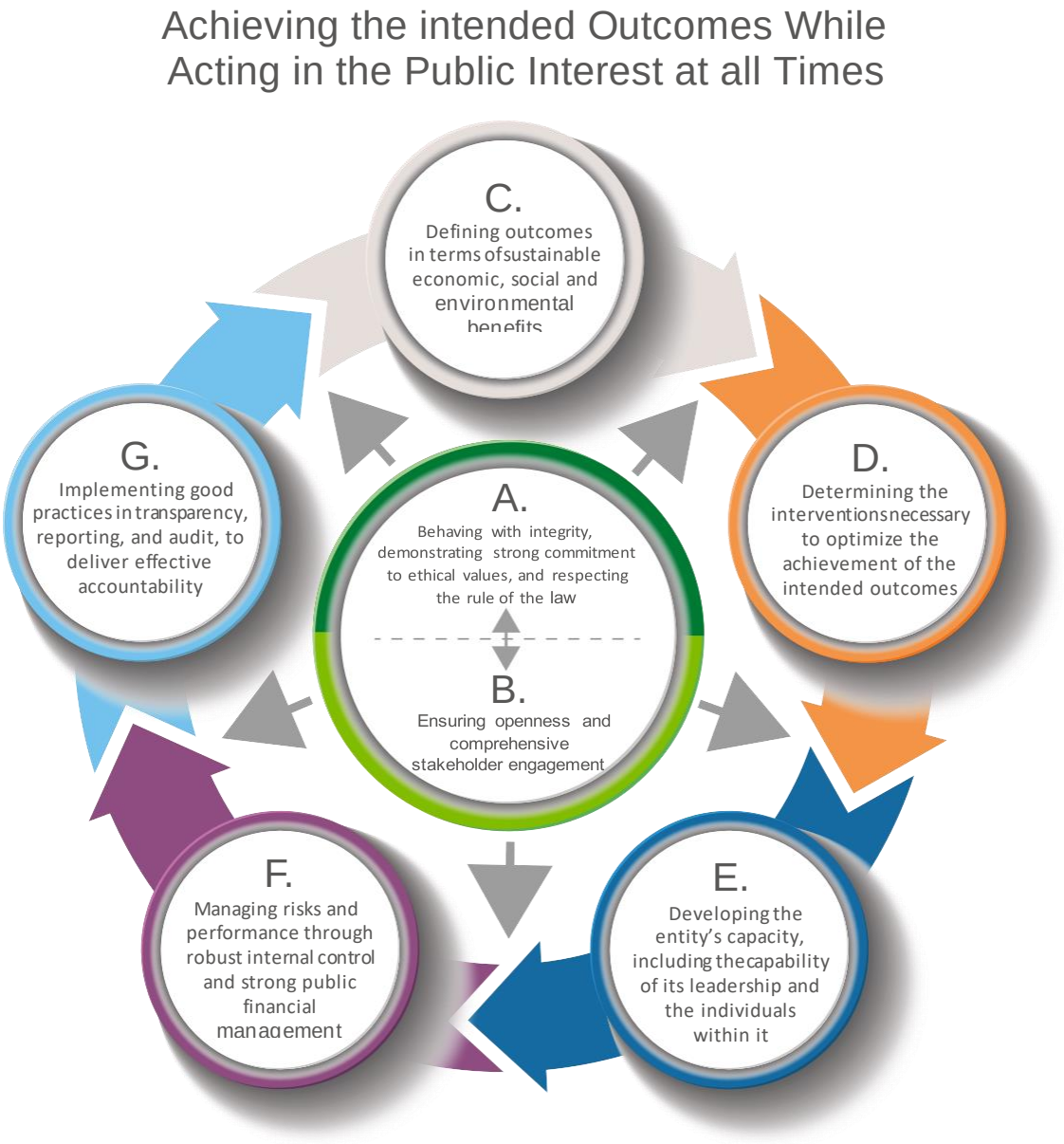
Local Code of corporate governance

May 2026

Lead Officer:	Chief Legal Officer & Monitoring Officer
Department:	Public Health, Communities, Law and Governance
E-mail Address:	Fiona.McMillan@leics.gov.uk
Created:	May 2026
Review Arrangements:	Annual or as required in the event of changes in legislation etc

1. INTRODUCTION

1.1 In 2014, the Chartered Institute of Public Finance and Accountancy (CIPFA) and the International Federation of Accountants (IFAC) collaborated to produce The International Framework: Good Governance in the Public Sector. The International Framework defines governance as comprising the arrangements put in place to ensure that intended outcomes for stakeholders are defined and achieved. It states that in order to deliver good governance in the public sector, both governing bodies and individuals working for public sector entities must try to achieve their entity's objectives while acting in the public interest at all times. This implies primary consideration of the benefits for society, which should result in positive outcomes for service users and other stakeholders. The diagram below illustrates the core principles of good governance in the public sector and how they relate to each other: Principles A and B permeate implementation of principles C to G. It illustrates that good governance is dynamic, and that an entity, should be committed to improving governance on a continuing basis through a process of positive outcomes for service users and other stakeholders.



1.2 In 2016, CIPFA in association with the Society of Local Authority Chief Executives (SOLACE) took the International Framework's core principles (and sub-principles) and interpreted them for a local government context. It revised and reissued its 'Delivering Good Governance in Local Government; Framework' (the Framework). The Framework sets the standard for local authority governance in the UK. The concept underpinning the Framework is to support local government in taking responsibility for developing and shaping an informed approach to governance, aimed at achieving the highest standards in a measured and proportionate way. The purpose of the Framework is to assist authorities individually in reviewing and accounting for their own unique approach, with the overall aim to ensure that:

- Resources are directed in accordance with agreed policy and according to priorities
- There is sound, transparent and inclusive decision making
- There is clear accountability for the use of those resources in order to achieve desired outcomes for service users and communities

The Framework must be applied when compiling annual governance statements. Full details of the seven principles and the respective sub-principles, together with the actions and behaviours that can demonstrate compliance is provided in the Appendix with extensive details provided of how the County Council (the Council) complies to them.

1.3 **In May 2025, CIPFA and Solace released an addendum to the Framework for application to annual governance statements for 2025/26 onwards. The addendum introduced the concept of core arrangements within each of the seven core principles. The addendum implies that governance arrangements that address areas core to good governance should be documented in the local code.**

2. LEICESTERSHIRE COUNTY COUNCIL'S APPROACH TO CORPORATE GOVERNANCE

2.1 In Leicestershire, good governance is about how the Council ensures that it is doing the right things, in the right way and for the benefit of the communities it serves in a timely, inclusive, open, honest and accountable manner.

2.2 Good governance will invariably lead to high standards of management, strong performance, the effective use of resources and good outcomes which in turn will lead to increased public trust.

2.3 Good governance flows from having shared values and culture. It requires having in place a framework of overarching strategic policies and objectives underpinned by robust systems, processes, and structures for delivering these. It also enables the Council and the public to monitor whether the strategic policies and objectives have been delivered.

2.4 The Council recognises that the delivery of its strategic policies and objectives cannot be done in isolation. It needs to engage with other statutory bodies and the voluntary and community sector as well as private companies commissioned to deliver services. As such the Council has an interest in ensuring that these partners have in place good governance arrangements.

2.5 The Council is committed to the seven core principles of good practice contained in the CIPFA framework and will test its governance arrangements against this framework and report annually.

To confirm this, the Council tests its governance arrangements by:

- **Developing and maintaining an up-to-date local code of corporate governance (the Local Code), including arrangements for ensuring ongoing effectiveness**. The Council's Local Code has been written to reflect its own structure, functions, and the governance arrangements in existence. It comprises the policies, procedures, behaviours, actions, and values by which the Council is controlled and governed.

Elected members are collectively responsible for the governance of the Council. To ensure the Local Code is effectively maintained, the Chief Legal Officer & Monitoring Officer, in conjunction with the Director of Corporate Resources (Chief Financial Officer) and the Head of Paid Service (Chief Executive), with advice from the Head of Internal Audit & Assurance Service, will:

- **Update the Local Code with developments in best practice and leading guidance**
- **Undertake an annual review of corporate governance arrangements to prepare the Annual Governance Statement**
- **Ensure adequate training is provided for both officers and members**

The Corporate Governance Committee will have responsibility for providing assurance to the County Council in respect of:

- **The effectiveness of the Council's Corporate Governance arrangements**
- **The approval of the Annual Governance Statement**

- **Reviewing existing governance arrangements.** The Council will monitor its governance arrangements for their effectiveness in practice and will review them on a continuing basis to ensure that they are up to date. This review will include an assessment of the effectiveness of the processes contained within the Local Code. This includes annual assessments such as:
  - Departmental and corporate reviews of assurance arrangements
  - Head of Internal Audit & Assurance Service (HoIAS) Annual Report. The HoIAS has to meet a GIAS UK (public sector) requirement to prepare at the organisation level an overall conclusion encompassing governance, risk management and control at least annually.
  - Assurance statements by the Chief Financial Officer, Monitoring Officer and the HoIAS that they are complying with their professional requirements
  - Annual review of the Constitution
  - Scrutiny and Corporate Governance Committee Annual Reports
  - The Auditor's Annual Report (produced by the Council's external auditors).
  - The opinions of other regulatory agencies and inspectorates, including governance issues via ad hoc cases / disciplinary issues, police investigations, complaints and the Local Government and Social Care Ombudsman.
- **Reporting publicly on compliance with the Local Code on an annual basis and on how the effectiveness of the Council's governance arrangements in the year and on planned changes has been monitored.** Regulation 6(1)(a) of the Accounts and Audit Regulations 2015 requires the Council to conduct a review at least once in a year of the effectiveness of its systems of internal control and include a statement reporting on the review with its published statement of Accounts. This is known as the Annual Governance Statement. The Chief Executive and Leader of the Council certify the Annual Governance Statement to accompany the Annual Accounts which will:
  - assess how the Council has complied with its Local Code
  - provide an opinion on the effectiveness of the Council's governance arrangements
  - where the reviews of the governance arrangements have revealed gaps which will impact on the authority achieving its objectives, action is to be taken to ensure effective governance in future
  - provide details of how continual improvement in the systems of governance will be achieved.

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

Rationale: Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions across all activities and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.

Sub-principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Behaving with Integrity	• The **Council's Constitution** contains a Code of Conduct for both Members and Officers and a **Protocol on Member/Officer Relations** to ensure that high standards of conduct are maintained. • Training on the **Council's Members' Code of Conduct** (which is based on the LGA model code) was provided in May 2025 following the elections. A recording of the training and the training material is made available on the Council's Elected Member Portal for future reference. All Members who did not attend the training in May were asked to confirm when they had watched the recording. The Code includes a commitment from Members to undertake training and co-operate with any investigation and sanctions imposed. • There is a separate **Members' Planning Code of Good Practice**. Training on this was also provided in May 2025 following the elections. • Registers of Members' interests and records of gifts and hospitality are made available for public inspection and published on the Council's website. Members update their Register of Interests when necessary but are also specifically prompted to review this annually. Mid-year a reminder to members to check and update their Registers is also included in the Members Digest. There is a form on the Elected Member Portal to make this process as straightforward as possible for members. • Members' Declarations of Interests are recorded in minutes of meetings which are available on the Council's website. Declarations of interest are sought as a standing item on agendas for all member meetings and the minutes record what declarations are made. • The Corporate Governance Committee supports and promotes the maintenance of high standards of conduct by Members and has agreed criteria for assessing complaints against Members. It also receives an annual report on the operation of the Members Code of Conduct and Complaints Handling Procedure. The Chairman, Vice Chairman and Spokespersons also receive an annual private briefing from the Monitoring Officer regarding complaint handling. • The **Employee's (Officer's) Code of Conduct** sets out standards of behaviour and conduct that the Council expects of its employees. This includes confidentiality, data protection, freedom of information, and fraud prevention. These areas are subject to mandatory training via e-learning and monitoring and reporting of compliance is undertaken. Reference is made to the Code in the Manager's Induction Checklist.

	• An employee policy is in place for declaring interests and acceptance of gifts and hospitality. Heads of Service are responsible for approving or rejecting G&H and accepting or specifying changes required for disclosed interests. The Monitoring Officer reviews the registers of interests and gifts and hospitality on an annual basis. Regular items appear on the Council's intranet and in the Managers Digest reminding staff of the Register of Interests, Register of Gifts and Hospitality and the Whistleblowing Procedure and arrangements in place to enable staff to raise issues of concern and report wrongdoing and the declaration of personal interests is flagged as part of the Annual Performance review (APR).
	• The Council has a 'Behaviour in the Workplace' Policy and Procedure. • Mandatory training for managers has launched around Managing Sexual Harassment in the Workplace. The new training has launched alongside the Zero tolerance statement and designed to support managers in creating a safe and respectful workplace for all employees. A Sexual Harassment in the Workplace e-learning module has also been created for all employees to increase understanding of what sexual harassment is and the support available to staff. Violent incidents at work should be recorded in the Council's accident and incident reporting system. • Standard decision-making reporting format is in place (training provided also) to ensure that all those responsible for taking decisions have the necessary information on which to do so. Key decisions are supported by various assessments e.g. EIA, Human Rights Impact Assessment, HR, Financial, Risk etc. depending on the decision. • A formal complaints policy which is publicly accessible is in place and an annual report on complaints is produced for all areas and reported to Corporate Governance Committee, the Scrutiny Commission and the Cabinet and is published on the Council's website. Annual reports regarding Adult Social Care and Children's Social Care which are subject to a statutory process, are submitted to the Adults and Cultural Services Overview and Scrutiny Committee and the Children and Family Services Overview and Scrutiny Committee respectively. These reports are also published on the Council's website. The Corporate Governance Committee has also considered and responded to the Local Government and Social Care Ombudsman Consultation on a Joint Code of Practice for Complaints. • A mandatory Fraud Awareness e-learning module for all staff exists that is regularly reviewed to ensure it remains fit-for-purpose. • A procurement fraud video was developed early in 2022 and rolled out for staff with procurement responsibility. • The Head of Internal Audit & Assurance Service presents an Annual Counter Fraud report to Corporate Management Team and Corporate Governance Committee at its meeting in June. • The Council's Organisational Values and behaviours continue to be promoted via the Council's People Strategy. • Regular Chief Executive's newsletter 'News for All' contains information for staff. Corporate Management Team Road shows are held throughout the county and County Hall for staff. Senior Managers' Conferences are held to keep managers informed of issues arising across the organisation.

Demonstrating strong commitment to ethical values	• The Members' Code of Conduct includes principles and rules of behaviour which cover, Integrity; Selflessness; Objectivity; Accountability; Openness; Honesty and Leadership. Members, in signing the Code, agree to comply with these principles. The current iteration of the Members Code of Conduct was adopted by the Council in 2022. This is based on the LGA Model Code which was developed following recommendations made by the Committee on Standards in Public Life – Ethical Standards in Local Government. • Officers' Code of Conduct in Part 5B of the Constitution refers to the key principles in public life and standards. • Employees are required to undertake mandatory training on Promoting Fairness & Respect and Environmental Awareness • Since May 2026, the promotion of high standards of conduct is one of the key areas of responsibility for the Constitution and Ethics Committee (previously the Corporate Governance Committee). • The Council's Constitution sets out the delegations made by the executive and Council committees and boards to Chief Officers, and the conditions to be applied when exercising such delegations. It also emphasises that the Council will act within the law. A fundamental review of Chief Officer delegated powers is undertaken every four years, with a light touch review being undertaken annually to coincide with the annual review of the Constitution. The next review will be undertaken in 2026. • Training was provided to Members after the May 2025 election on Workforce matters including the Council's People Strategy Priorities and Equality, Diversity and Inclusion Strategy Commitments. • **A Whistleblowing Policy** is published on the Council's website for staff. Staff are regularly reminded of the Policy, its purpose and how to escalate concerns. • The Monitoring Officer presents an Annual Whistleblowing report to Corporate Governance Committee at its meeting in January. • The Head of Internal Audit & Assurance Service conducts an annual self-assessment internal audit staff compliance to the ethical requirements of the Global Internal Audit Standards UK (public sector). •
	• The Council's Political Structure and Roles are available on the Council's website and includes membership details and functions of all major committees as well as roles and responsibilities of Cabinet and other members. • The Constitution identifies the Chief Legal Officer and Monitoring Officer as the Council's Monitoring Officer and sets out the role of the Monitoring Officer. The role, with membership of the Corporate Management Team, is to ensure that the Council respects the rules of law.

Respecting the rule of law	• **A Supplier Code of Conduct** has been approved and communicated to suppliers and work continues to ensure providers of services act with integrity and in compliance with high ethical standards expected by the Council. Compliance with the Code will be checked within contract management mechanisms, • The Council's exposure to the risk of serious and organised crime has been assessed and a range of actions agreed to mitigate the potential risks. The Council is a member of the Leicester, Leicestershire & Rutland (LLR) Strategic Partnership Board for Serious and Organised Crime and a LLR Delivery Plan is in place. • A Single Point of Contact has been forged with Leicestershire Police with regard to serious and organised crime. • **A Modern Slavery and Human Trafficking Statement** has been approved to ensure that there is no slavery or human trafficking in its own direct provision of services or its supply chain. • The Council has in place an **Anti-Fraud and Corruption Policy Statement and Strategy**. This is the overarching document that is supplemented by other polices on Anti-Money Laundering, Anti-Bribery, and Whistleblowing. These are publicised across the organisation in order to conform with requirements of the CIPFA Code of Practice – 'Managing the Risk of Fraud and Corruption' (2014). The Council takes a "zero tolerance" approach to fraud and corruption. • The Officer (Employee) Code of Conduct requires Officers to have due regard to the Contract Procedure Rules and other polices when procuring goods and services. • Appropriate Officers monitor reports to ensure propriety of decision making and that legal advice is included where necessary and appropriate. E.g. the Monitoring Officer, the Chief Financial Officer and Head of Democratic Services. All members and Chief Officers are required annually to complete the 'Related Party Disclosure Form'. • In partnership with the CFA, the Council has appointed six Independent Persons to support the Council's member conduct process. External consultants were engaged to provide training. • The Council maintains records of legal advice provided by officers to ensure it respects the rule of law. • Exceptions to Contract Procedure Rules are reported to the Corporate Governance Committee.

Principle B: Ensuring openness and comprehensive stakeholderengagement

Rationale: Local government is run for the public good; Organisations therefore should ensure openness in their activities. Clear, trusted channels of communication and consultation should be used to engage effectively with all groups of stakeholders, such as individual citizens and service users, as well as institutional stakeholders

Sub-principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Openness	• Adoption of a clear and consistent reporting format in relation to committee reports. • Agendas, reports (and minutes) are also published on the Council's website in advance. Meetings are open to the public except in relation to exempt items. • A 'forward plan' of key decisions and exempt items is in place and dates for submitting, publishing and distributing timely reports are set and adhered to. • Records of decisions taken by the Cabinet or a board or Committee, and decisions taken by Chief Officers under delegated powers, together with supporting materials, are available in the Decisions Enquiry System which can be found on the Council's website. • Regular meetings are held with relevant Lead Members to brief them on developments in their service area and of issues of concern and this is supplemented by regular all member briefings on areas of interest to elected members. • The Council's Strategic Plan and Outcomes Framework is currently being reviewed, with a view to having a new Strategic Plan in place to cover the period 2027 – 2031. It publicly sets out priorities, goals and values. • A detailed Annual Delivery Report and Performance Compendium is published and scrutinised. This outlines progress and achievements made by the Council and looks at service data and outcomes against a range of performance indicators and comparative benchmarking data, as well as some of the risks to service outcomes and delivery. • The Scrutiny Commission/Committees submit an annual report to the Council on the work it has undertaken. The Corporate Governance Committee also submits an annual report to the Council setting out how it has discharged its responsibilities in line with CIPFA guidance. • Reports to and decisions taken by the Council, Cabinet, Scrutiny Bodies and Regulatory Bodies are available on the Council's website. • The Council uses social media to reach a growing number of residents and stakeholders. It also publishes a Council newsletter which includes an update on the work being undertaken by Scrutiny Bodies and how the public can get involved. It also has an active website.

	• An annual Council Tax leaflet is published on the Council's website showing how resources are deployed and the Council's accounts are scrutinised and published. • Practices are in place to respond to Freedom of Information, Environmental Information Regulations and Subject Access requests and publish them where required. An annual report on the handling of FOI and EIR requests is also presented to the Corporate Governance Committee, and this is published online. • Relevant data is published on the Council's website in accordance with the requirements of the Local Government Transparency Code (2015). • The Council has guidance available for applicants wishing to make use of the Community Right to Challenge to express an interest in running local authority services.
Engaging comprehensively with institutional stakeholders	• A number of priority partnerships have been identified and are supported to ensure that outcomes are achieved efficiently and effectively. • The Council has in place wide stakeholder lists for engagement purposes and is represented on a wide variety of bodies with relevant stakeholders. • A variety of arrangements are in place to engage with and involve other stakeholders including the business sector, health agencies, the police, district and parish councils, rural communities and voluntary and community sector. The stakeholders were consulted with regard to the new Outcomes Framework. • As a Category 1 Responder organisation under the Civil Contingencies Act (2004), the Council plays a significant part in the management of multi-agency arrangements for planning for, responding to, and recovery from emergency and major incidents. The coordination of such actions takes place through the Local Resilience Partnership which is a statutory body established under the Civil Contingencies Act 2004. Membership is drawn from a range of statutory partners including all local authorities across Leicester, Leicestershire & Rutland (LLR), blue light services and the NHS. There are clear terms of reference and governance arrangements in place which are reviewed regularly.

Engaging stakeholders effectively, including individual citizens and service users	• Engaging with customers before planning and commissioning services is encouraged by the Council's Communications, Consultation and Engagement group. A Consultation and Engagement team is in place to provide support on these matters across the Council. The Group reviews the impact and outcome of consultations including lessons learnt and feedback. • A wide range of techniques are used for dialogue with the community including a major budget/priorities consultation exercise, community-based surveys, customer service feedback arrangements and individual service user groups. • Equality Impact Assessment and Human Rights Impact Assessment practices enable the Council to meet its statutory obligations, aid the Council in understanding issues of interest to the public and help the Council to shape service delivery. • Rolling surveys of residents' views are undertaken to gauge satisfaction on key areas. Regular media and web monitoring is in place to pick up informal feedback. • The Council has adopted a set of **Consultation and Engagement Principles** that provide a clear framework for residents, service users and staff with regard to public consultations. All reports to member bodies must reflect the outcome of any consultation undertaken. Officers' meet regularly to ensure that consultations are undertaken on key changes to service provision and that such consultations are coordinated and comply with the Policy and existing best practice. Reports on new policy or changes to existing policies need to reflect how the policy will impact on different sectors in the community and local areas affected • Results of major consultations are published in bespoke reports, which are available via the Council's website. • To improve planning and joint working across a number of areas, the Council operates a number of partnership bodies. Departments also operate their own forums through which to engage with citizens and service users.

Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefit

Rationale: The long-term nature and impact of many of organisation's responsibilities mean that it should define and plan outcomes and that these should be sustainable. Decisions should further the authority's purpose, contribute to intended benefits and outcomes, and remain within the limits of authority and resources. Input from all groups of stakeholders, including citizens, service users, and institutional stakeholders, is vital to the success of this process and in balancing competing demands when determining priorities for the finite resources available

Sub-principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Defining Outcomes	• The Council's overall vision is reflected in the Council's Strategic Plan to 2026 which sets out five priority outcome themes and is supported by a Medium-Term Financial Strategy, Commissioning Strategy, Communities Strategy and Transformation Programme. These are all underpinned by departmental service plans and wider delivery strategies. The Strategic Plan is currently being refreshed, with a view to having a new plan in place to cover the period from 2027 to 2031. • The NHS 10-year Health Plan for England (published in July 2025) includes several areas which are likely to have an impact on the Council, in particular due to the shift of care from hospital to the community and the renewed focus on neighbourhood working. • The Leicester, Leicestershire and Rutland Integrated Care System (ICS), which became fully operational from 1 July 2022, brings together local providers and commissioners of NHS services to collectively plan health and care services, building on the existing integrated working already taking place. The ICS is expected to pursue the aims of better health and wellbeing for everyone, better quality of health services for all individuals, and the sustainable use of NHS resources. • The ICS consists of an NHS Body (Integrated Care Board). The LLR ICB is now part of a 'clustered' arrangement alongside Northants ICB. The two organisations have separate accounts but share a single management structure. • The County Council's Health and Wellbeing Board, as 'place-based' planners, continues to have an important responsibility at place level to bring local partners together, as well as developing the Joint Strategic Needs Assessment and Joint Local Health and Wellbeing Strategy, which both HWBs and ICSs will have to have regard to. • A separate Communities Strategy sets out the Council's approach to supporting communities and underpins working with the voluntary and community sector. • The Strategies set out defined outcomes with supporting performance measures. • Performance and progress against the strategies is reviewed regularly and published in the Council's Annual Delivery Report and Performance Compendium and Statement of Accounts. • The Council communicates with and takes account of feedback to review outcomes, so they reflect progress and wider changes.

	• Departmental Management Teams and Cabinet Lead Members receive regular reports on the status of performance indicators and outcomes and have a process in place to address poor performance. • A variety of engagement, consultation and communication channels are in place to ensure that service users are aware of the financial and policy context and to help manage expectations. An annual budget media briefing and consultation on the budget is undertaken.
Sustainable economic, social and environmental benefits	• A four-year capital programme is derived primarily from the Council's Strategic Plan and the Council's Capital Strategy and aims to ensure sustainable benefits. Investments in land and buildings are made in accordance with the Council's Investing in Leicestershire Programme Strategy. Investment in infrastructure is included in the Infrastructure Plan and the Local Transport Plan, which provides the long - term strategy within which the Council manages and maintains its transport network. The Council has developed a Growth Unit aimed at ensuring that public services and infrastructure are effectively planned over the short, medium and long term across Leicestershire. • The Investing in Leicestershire Programme is overseen by an Advisory Board, comprising all Cabinet members. The Advisory Board considers the merits of any investment opportunities presented by the Director of Corporate Resources, which the Director of Corporate Resources may then approve under delegated powers or refer to the Cabinet for a decision. An annual report is presented to the Scrutiny Commission and Cabinet. • Environment and Equalities Strategies (for example Net Zero Strategy 2023 – 2045) are in place as well as an Enabling Growth Plan which sets out how the Council will support growth of the economy. All of the Council's plans seek to ensure an effective balance of economic, social and environmental benefits. • Equality impact assessments and Human Rights impact assessments and monitoring is in place to ensure an overview of fair access to services. A health implication e-form is available to assess the impact of any proposals on social, economic and environmental living conditions and on health and wellbeing. • Ensuring social value in contracts is an important element of the Council's approach. • The External Auditor undertakes an annual audit of value for money arrangements. The Auditor's Annual Report (AAR) for 2024-25 was overall positive. They concluded that the Council has appropriate financial management, has appropriate governance arrangements in place, and appropriate performance measurement, partnership working and procurement arrangements. Progress against AAR recommendations are reported to the June Corporate Governance Committee as part of the update report on the Council's compliance with the CIPFA Financial Management Code.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Rationale: The organisation achieves its intended outcomes by providing a mixture of legal, regulatory, and practical interventions. Determining the right mix of these courses of action is a critically important strategic choice that the organisation has to make to ensure intended outcomes are achieved. They need robust decision-making mechanisms to ensure that their defined outcomes can be achieved in a way that provides the best trade-off between the various types of resource inputs while still enabling effective and efficient operations. Decisions made need to be reviewed continually to ensure that achievement of outcomes is optimised

Sub-principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Determining and Planning interventions	• A robust medium term financial planning and service planning process is in place. A comprehensive Efficiency Review has been undertaken during 2025/26 to ensure the Council can maintain a sustainable financial position. • Well-established governance of decision making is in place for making service decisions through DMTs, Project Boards and the Council's Transformation Unit as well as through the democratic process and decisions are made based on an evidence and business case basis using defined tools and templates. Corporate Management Team operates as the Transformation Delivery Board. • A Strategic Commissioning and contracting approach has been embedded into the organisation including commissioning strategies and a clear commissioning cycle involving service review, evidence, and consultation. • The range of decision-making information provided per option includes service user, staff and other stakeholder impacts, completion of Equality Assessments, consultation output and analysis of resource implications. • A Business Intelligence (BI) Service provides insight, data analysis, forecasting and modelling support. BI Strategy is currently under review as a result of recent department and BI service changes. • Feedback and complaints mechanisms/report in place to allow quality issues to be identified.
Optimising achievement of intended	• The Council has a good record of developing and delivering outcomes as well as managing within agreed budget parameters. • The Council's performance management processes ensure comparative benchmarking of outcomes against similar areas to feed into service planning and budgeting. • The Council's commitment to social value is embedded in the corporate Commissioning and Procurement Strategy. A Social Value Policy statement was refreshed in 2022. This commitment is also reflected in the guidance provided to staff undertaking procurement

outcomes	activity in the Council's Commissioning Toolkit and guidance. Contract Procedure Rules require that when procuring a service due regard is paid as to how the contract will improve the economic, social and environmental well-being of Leicestershire as required by the Public Service (Social Value) Act 2012. Achievement of social value is monitored regularly. A Social Value Champions Group is being established.

Principle E: Developing the entity's capacity including the capability of its leadership and the individuals within it

Rationale: Local government needs appropriate structures and leadership, as well as people with the right skills, appropriate qualifications and mind-set, to operate efficiently and effectively and achieve their intended outcomes within the specified periods. A local government organisation must ensure that it has both the capacity to fulfil its own mandate and to make certain that there are policies in place to guarantee that its management has the operational capacity for the organisation as a whole. Because both individuals and the environment in which an authority operates will change over time, there will be a continuous need to develop its capacity as well as the skills and experience of the leadership of individual staff members. Leadership in local government entities is strengthened by the participation of people with many different types of backgrounds, reflecting the structure and diversity of communities.

Sub-principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Developing the entity's capacity	• The Council's People Strategy and Delivery Plan is in place for 2024 - 2028. The Employment Committee receives regular reports, as appropriate, on elements of the People Strategy and the associated action plan. • A new Working Arrangements Policy and Procedure was considered by the Employment Committee in February 2026 and implemented in May 2026. Its purpose is to ensure that the Council works in the best possible way to deliver effective and efficient services while retaining the flexibility that supports staff and service needs. It includes information on where, when and how employees are expected to fulfil their duties in line with the requirements of their service and the strategic direction of the organisation, along with general considerations in the application of the policy. • A regular Employee Survey helps identify staff and manager capacity and support needs and issues of concern so that these may be addressed through action plans. • The Council monitors a variety of metrics including staff caseloads and customer activity to ensure that it has sufficient capacity in place at the right time. • Support arrangements are in place to allow deployment of interim capacity where required.

Developing the capability of the entity's leadership and other individuals	• The Council provides learning and development opportunities to elected members in accordance with individual member needs and needs identified by Groups. Compulsory training is provided to relevant members on the Code of Conduct, Planning and Regulatory Matters and on Pensions. • Regular briefings are provided to all members on key issues affecting the Council. There is also a Members' Portal, which is a one stop shop for Members which provides information and guidance on the work of the Council (including this Local Code of Corporate Governance) as well as access to e-learning modules deemed directly relevant to them such as FOI and Information Security. The site also has videos of briefings provided to members so those unable to attend can view these later. In addition, the portal enables Members to undertake a number of tasks, some which are currently paper based, such as - claiming expenses, updating bank details, completing their register of interests and declaring gifts and hospitality and access to dedicated forms so that Members can report problems. • The Member Learning and Development Working Party is being re-established. This is a member-led forum for discussing training and development needs and has agreed a Member Learning and Development Strategy. • A weekly digest is sent to elected Members providing them with links to current news stories and consultations, information worth noting, upcoming meetings, events and All Member Briefings and information relating to divisional matters. • Council Learning and Development plans are informed by the MTFS; Strategic Vision; Departmental key aims; service plans; and individual Performance Reviews (APRs). • Induction training is provided for all new staff appropriate to their role and responsibilities, with access to on-going Learning and Development activities to enhance skills. • The Council has established a clear set of values and behaviours, embedded in a performance management framework. Additionally, a revised leadership and management development offer is being established. • A corporate Annual Performance Review (APR) system is in place to appraise the performance of all staff. This is done annually and supported by one-to-one meetings held throughout the year. APR completion rates are monitored and reported to Departmental Management Teams. • Cabinet responsibilities are reviewed annually by the Leader of the Council. Job descriptions for the Scrutiny Commissioners, Chairmen, Deputy Chairmen and Spokespersons are reviewed and re-issued to relevant members every four years. • The Council encourages and supports a diverse workforce and variety of workplace support groups, such that it has been recognised as a sector leader by Stonewall. • The Council's Health, Safety and Wellbeing Policy Statement outlines the framework developed by the Council to manage health, safety, and wellbeing. It is a declaration of the Council's commitment to provide, so far as is reasonably practicable, safe, and healthy conditions for employees and persons, who use, visit, or may be affected by the Council's activities.

	• The Council's Equalities Board actively monitors and supports a diverse workforce and recruitment processes have been strengthened to ensure fair representation of different groups. • The Council has run a range of support programmes to ensure effective representation of women in senior management. • The Council reviews its Leadership and Management capability, as part of its People and Culture Strategy. • Training and development programmes for employees ensures they have the appropriate skills and knowledge to support then in fulfilling their roles and responsibilities. • Senior Manager Conferences are held twice a year and the Council has recently launched a new Manager's forum – Community of Practice – to assist in the development of managers. These are held on a quarterly basis and there are regular senior manager briefings via MS Teams.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Rationale: Local government needs to ensure that the organisations and governance structures that it oversees have implemented, and can sustain, an effective performance management system that facilitates effective and efficient delivery of planned services. Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. Risk should be considered and addressed as part of all decision-making activities.

A strong system of financial management is essential for the implementation of policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery, and accountability. It is also essential that a culture and structure for scrutiny is in place as a key part of accountable decision making, policy making and review. A positive working culture that accepts, promotes and encourages constructive challenge is critical to successful scrutiny and successful delivery. Importantly, this culture does not happen automatically, it requires repeated public commitment from those in authority.

Sub-principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Managing Risks	• The Council has a Corporate Governance Committee which acts as the audit committee with responsibility for the promotion and maintenance of high standards within the Authority in relation to the operation of the Council's Local Code of Corporate Governance. The **Terms of Reference** for the Committee align to the core functions of an audit committee as identified in Audit Committees: Practical Guidance for Local Authorities. • The Council has a Risk Management Policy and Strategy which is reviewed annually and reported to the Corporate Governance Committee at its January meeting. • The Corporate Management Team & Corporate Governance Committee actively engage and conduct detailed scrutiny of the Corporate Risk Register and emerging risks. Presentations on specific risks are aimed to be provided at each meeting of the Corporate Governance Committee. • Departmental Management Teams take full ownership of risks within their area and agree mitigating actions with regular monitoring and reporting processes in place. • The Council's Insurance Policy is reviewed annually and reported to the January meeting of the Corporate Governance Committee. The Policy outlines that any potential losses are covered by a combination of self-insurance and a range of policies held with insurance companies, which are renewed on an annual basis. The Council has an experienced in-house claims handling service. An annual report on the work conducted by the Insurance Service is provided to the Corporate Governance Committee at its September meeting. • The Resilience & Business Continuity Annual Report is reported to the Corporate Governance Committee at its January meeting

	• An independent risk management maturity health check is planned for 2026.
Managing Performance	• The Council has corporate performance management and reporting processes in place with regular monitoring by the Scrutiny Commission and other Scrutiny Committees and Corporate Management Team. • A regular programme of reporting on progress against outcomes, metrics and targets including benchmarking is in place at senior level. • Regular meetings between Chief Officers and their Lead Members focus on key developments, performance and risks going forward. • A comprehensive range of self-service operational performance reports are available to managers through the Council's tableau data server. This was recently reviewed by external audit and considered as best practice.
Robust Internal Control	• The adequacy and effectiveness of the Council's internal control environment is tested throughout the year as a result of the approval and implementation of a risk based Internal Audit Annual Plan and by undertaking audits. • The Council participates in a range of external audits, inspections and accreditations to ensure it remains accountable for the quality of services its delivers as well to support continuous improvement of services. • An annual report is produced by the Head of Internal Audit & Assurance Service which provides an overall conclusion on the effectiveness of the council's governance, risk management and control and a self-assessment of its conformance to the Global Internal Audit Standards UK (public sector) including the Application Note, CIPFA's Code of Practice on the governance of internal audit in local government and CIPFA's guide on the role of the Head of Internal Audit. • There is an Anti-Fraud and Corruption Strategy which is subject to biennial review and is approved by the Corporate Governance Committee. This is the overarching document that is supplemented by other polices on Anti-Money Laundering, Anti-Bribery, and Whistleblowing. • The Local Code of Corporate Governance and Annual Governance Statement are subject to review by the Corporate Governance Committee. • The Corporate Procurement Board provides advice and guidance to departments on all procurement activity over £100,000 in value (one-off, annual or total contract value), all exceptions, extensions that haven't been provided for in the initial tender and modifications that are 10% greater or lesser in value that the original contract value if the contract is above £179,087. The board will ensure that compliant and effective procurement approaches are in place. The board will facilitate improved management and control of third party spend and contribute to the identification of savings opportunities in this area.

Managing Data	• The Council has a Corporate Data Protection Policy and well-established risk assessment processes. A Register of Processing Activity is in place. • New mandatory training for managers has been implemented on data protection and information management. • A partnership information sharing protocol, and information sharing agreements are put in place where required. • Policies that govern the use of data, and corporate data standards are in place. An Artificial Intelligence Policy and Procedure was introduced in March 2025 and continues to be developed in line with the pace of AI usage. • A variety of groups and monitoring are in place to ensure effective information management practice. • A Corporate Business Intelligence Service is in place to support effective management and interpretation of data and evidence. • Cyber security risk mitigations are reported in the Corporate Risk Register. A wide range of independent, external assurances are received. • The Council's I&T Risk Management Policy and Process was last reviewed in July 2025. This contains guidance on creating Information Security Risk Assessments • The position of a Senior Information Risk Officer (SIRO) is a requirement under the Data Security and Protection Toolkit, the Assistant Director People, Property and Business Services holds the position of the SIRO for the Council. The SIRO takes overall ownership of the Council's approach to handling information risk.
Strong Public Financial Management	• Financial procedures are documented in the Financial Regulations which are reviewed, revised where appropriate and reported to Corporate Governance Committee annually. • Monthly budget monitoring reports on the MTFS (capital and revenue) are provided to senior management and Member committees, Cabinet and Scrutiny. The reports provide an overall update, reasons for significant variances, actions being taken and any ongoing impact. • The Corporate Governance Committee receives a quarterly update on treasury management activities and considers annually the Council's proposed investment Statement and Strategy prior to approval by full Council. It also receives an annual report on CIPFA Financial Management Code Compliance. • The Councils accounts show a strong track record of operating within its resources while allocating investment towards priority areas. • The Council's financial statements are approved by the external auditor annually with an unmodified opinion, and ahead of statutory deadlines.

Principle G: Implementing good practices in transparency reporting and audit to deliver effective accountability

Rationale: Accountability is about ensuring that those making decisions and delivering services are answerable for them. Effective accountability is concerned not only with reporting on actions completed but also ensuring that stakeholders are able to understand and respond as the organisation plans and carries out its activities in a transparent manner. Both external and internal audit contribute to effective accountability.

Sub-principle	Examples of the Council's commitment to achieving good governance in practice is demonstrated below
Implementing good practices in transparency and reporting	• Agendas, reports and minutes are published on the council's website. Reports comply with accessibility regulations and where required 'Easy Write' guidelines are applied. Signposting is in place for translated material where required. • Decisions taken by Chief Officers under delegated powers are published on the Council's website in accordance with Regulations. • Meetings of the Council, Cabinet, boards and committees are held in public except where exempt information is to be considered. Meetings are also recorded and made available online to the public. • Regular press releases and briefings with good press coverage. • An Annual Delivery Report and Performance Compendium is produced and published on the Council's website and also user friendly reports such as reports for young people. Quarterly performance and budget monitoring reports are also considered by the Cabinet and Scrutiny members to provide information on the Council's financial and overall performance. Members are able to judge the Council's performance against targets set and to take actions necessary to address issues raised. • The performance of main service departments is reported regularly to relevant scrutiny committees and through the police and crime panel. Performance reports on wider health performance to Health Scrutiny Committee and the Health and Wellbeing Board. • Council newsletter produced for all residents and regular social media feeds such as X/facebook/youtube. Communications Strategy in place and monitored. • The Council's external Auditor's Annual Report is discussed at the Corporate Governance Committee and then circulated to all members of the Council. • The Annual Financial Statements are compiled, published to timetable and included on the council's website. • A self-assessment of the County Council's compliance with the requirements of the CIPFA Financial Management Code 2025-26, and areas for further development, was reported to Corporate Governance Committee in June 2025. • The Annual Governance Statement is prepared in accordance with CIPFA guidance which is considered by the Corporate Governance Committee and made available online.

Assurance and effective accountability	• The Annual Governance Statement sets out the Council's governance framework and the results of the annual review of the effectiveness of the council's arrangements and includes areas for improvement. • An effective internal audit function is resourced and maintained. The Internal Audit Service has direct access to members and provides assurance on governance arrangements via an annual report containing an overall conclusion on the council's internal control arrangements. • There are annual reviews of compliance with CIPFA Statements on the Role of the Chief Financial Officer and the core responsibilities within CIPFA's Role of the Head of Internal Audit. • There is an Internal Audit Charter (revised November 2025) which sets out the purpose, authority and responsibility for the internal audit function and clearly defines Members and officers' roles, responsibilities and relationship. • The Internal Audit Service was subject to an independent external quality assessment (May 2024) with a conclusion that it generally conforms (top grading) to the previous Public Sector Internal Audit Standards. • The Head of Internal Audit & Assurance Service undertakes an annual self-assessment against the CIPFA Code of Practice for the Governance of Internal Audit in UK Local Government and explains how the Council complies with the Code in the Annual Governance Statement and in his Annual Report. • The Corporate Governance Committee provides an Annual Report on the work it has undertaken to fulfil its responsibilities to full County Council at its July meeting. • External Audit provides an annual opinion on the Council's financial statements and value for money including governance arrangements. • The Council engages in peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.

Key roles of those responsible for developing and maintaining the Governance Framework

The Council	The Council's political structure is based on a Leader and Cabinet model. The Constitution includes how the Council makes decisions and the procedures it follows to make sure that these are efficient, clear and accountable to local people. The Council agrees the budget, approval major plans, appoints the Cabinet, Scrutiny Commission and main bodies and receives reports from Cabinet and Scrutiny bodies.
Cabinet	The Cabinet is responsible for providing leadership and direction to the Council, proposing changes to the Policy Framework and Budget. It also takes decisions which are needed to implement the Policy Framework and Budget approved by the County Council.
Corporate Governance Committee	The promotion and maintenance of high standards within the Authority in relation to the operation of the Council's Local Code of Corporate Governance. Approves the Annual Statement of Accounts and Annual Governance Statement. Since May 2026 the Constitution and Ethics Committee promotes and maintains high standards of Member conduct
Committees	There are a number of permanent Overview and Scrutiny committees. Their membership comprises of councillors who are not on the Cabinet. They give advice to the Cabinet and Council as a whole. They also monitor the decisions made by the Cabinet The councillors who are not members of the Cabinet are instead involved in committees (sometimes known as boards) in the Regulatory area. These boards and committees take decisions on non-executive areas. This includes tasks like licensing, planning and elections
Corporate Management Team	Chaired by the Chief Executive and comprising Directors of the Departments of the Council. It aims to ensure corporate cohesion across the Council and provides a means of sharing information and raising awareness of politically contentious issues which could have an impact on the Council as a whole
Head of Paid Service	The Chief Executive (as Head of Paid Service) is responsible for coordinating the different functions of the Council, staff appointment, organisation, management, numbers and grades. Additional responsibilities are set out in the Constitution include supporting councilors and the democratic process, overall corporate management and promoting our objectives, performance management, strategic partnership, the community strategy, media and communications.
Monitoring Officer	Ensures that decisions taken comply with all necessary statutory requirements and are lawful (any decision that is likely to be unlawful or lead to maladministration then the Council and/or Executive will be advised. Ensures decisions are taken in accordance with the Council's budget and Policy Framework. Provides advice and scope of powers and authority to take decisions as well as support the member complaint process
Chief Financial Officer	Discharge of responsibilities under the Local Government Act - S151 responsibilities and Chief Financial Officer under CIPFA- The Role of the chief financial officer in public service organisations
Internal Audit Service	Provides independent and objective assurance and an annual conclusion on the overall adequacy and effectiveness of the Council's governance, risk management and control framework. Delivers an annual programme of risk-based audit activity, including counter fraud and investigation activity.
External Audit	Audit / review and report on the Council's financial statements (including the Annual Governance Statement), providing an opinion on the accounts and use of resources, concluding on the arrangements in place for securing economy, efficiency and effectiveness in the use of resources (the value for money conclusion).

APPENDIX 2

Below is a brief analysis of key changes between the April 2022 Local Code of Corporate Governance and the updated May 2026 version.

Summary of Key Changes

1. Strategic / Regulatory Context

- Inclusion of new CIPFA/SOLACE guidance (2025 addendum) in the 2026 version, introducing the concept of core governance arrangements.

Implication:
The updated Code aligns with latest national governance expectations and strengthens the framework's relevance to 2025/26 AGS requirements.

2. Governance Framework & Oversight

- 2026 version:
    - Adds explicit requirement to ensure adequate training for members and officers.
    - Clarifies updated officer titles (e.g. *Chief Legal Officer & Monitoring Officer*).
    - Expands assurance sources (e.g. inclusion of Scrutiny and Corporate Governance Committee annual reports).
- 2022 version:
    - More limited reference to governance assurance and training expectations.

Implication:
Clear strengthening of accountability, roles and governance assurance processes.

3. Strengthened Transparency and Reporting

- 2026 version introduces:
    - Publication of delegated officer decisions.
    - Recording and online availability of meetings.
    - Annual FOI/EIR performance reporting to Committee.
- 2022 version:

- Focuses primarily on publication of agendas, reports and minutes.

Implication:
Enhanced openness and accessibility, reflecting evolving transparency requirements.

4. Enhanced Risk Management, Internal Control & Audit

- 2026 version:
  - Aligns Committee terms of reference explicitly with CIPFA Audit Committee guidance.
  - References Global Internal Audit Standards (UK public sector).
  - Introduces Corporate Procurement Board oversight.
  - Expands reporting on insurance, resilience and risk governance.
- 2022 version:
  - Relies on earlier Public Sector Internal Audit Standards and less detailed oversight structures.

Implication:
More mature and structured risk, audit and procurement governance framework.

5. Financial Management and Assurance Developments

- 2026 version:
  - Adds regular treasury management reporting and annual Financial Management Code updates.
  - References recent external audit conclusions (2024/25).
- 2022 version:
  - Refers to earlier CIPFA FM Code self-assessment (2021).

Implication:
Demonstrates stronger ongoing monitoring and alignment with updated financial governance standards.

6. Policy, Strategy and Service Developments

- 2026 version reflects updated organisational context including:
  - Strategic Plan refresh (2027–2031).
  - NHS 10-year Health Plan (2025) and matured ICS arrangements.

  - New/updated initiatives (e.g. Efficiency Review 2025/26, Social Value Champions Group).

- 2022 version references:
  - Earlier Strategic Plan to 2026 and initial ICS implementation.

Implication:
Content updated to reflect current operating environment and partnerships.

7. Workforce, Capacity and Ways of Working

- 2026 version:
  - Introduces Working Arrangements Policy (2026) and updated People Strategy (2024–2028).
  - Expands member development arrangements (e.g. Member Learning & Development Working Party).
- 2022 version:
  - Focused on earlier "Ways of Working Programme" and existing People Strategy.

Implication:
Reflects shift from programme-based transformation to embedded workforce policies and development structures.

8. Digital, Data and Emerging Risks

- 2026 version introduces:
  - Artificial Intelligence policy and governance arrangements (2025).
  - Expanded cyber security and data risk management reporting.
- 2022 version:
  - Limited to general data protection and BI arrangements.

Implication:
Significant enhancement to reflect digital governance and emerging technology risks.

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Appendix 3

Core arrangements for the Local Code of Corporate Governance

The local code, or other description of governance arrangements, should include details of your arrangements that address areas that are core to good governance. These arrangements are essential for a corporate culture focused on achieving objectives, managing risk and fulfilling stewardship and statutory responsibilities, including best value. A more comprehensive code will provide stronger evidence of your authority's alignment to good governance principles, and CIPFA and Solace would recommend this approach. The annual governance statement will need to provide assurance that the following core arrangements are in place and operating effectively.

DELIVERING GOOD GOVERNANCE IN LOCAL GOVERNMENT: FRAMEWORK

Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law

• Arrangements to ensure ethical conduct for both members and officers, including codes of conduct, management of conflicts of interest, declarations of gift and hospitality, training and evaluation. Where appropriate, include how codes of ethics for the sector are implemented and supported. Sector requirements include the Code of Practice for Ethical Policing and the Police Code of Ethics, and the Core Code of Ethics for Fire and Rescue Services – England.
• Arrangements covering the ethical behaviour of external service providers.
• Arrangements to support whistleblowing.
• How compliance with laws and regulations and internal policies and procedures is ensured and arrangements to ensure expenditure is lawful.
• How breaches of ethical arrangements, laws, regulations and procedures are addressed and learning adopted.
• How all those in governance roles and senior managers demonstrate their leadership of an ethical culture.

Principle B: Ensuring openness and comprehensive stakeholder engagement

• How the authority ensures that decisions are made in the public interest and the rationale for decisions is recorded.
• How the authority achieves expected standards of openness and transparency, including a culture of internal challenge and self-assessment.
• The arrangements for consultation and engagement with citizens, service users and stakeholders and how these inform decision-making.
• The ways in which the authority communicates with the community and stakeholders.

Principle C: Defining outcomes in terms of sustainable economic, social and environmental Benefits

• How the authority establishes its vision, target outcomes, and associated long-term plans to deliver sustainable outcomes.
• Its decision-making arrangements and how it ensures consideration and demonstration of value for money and best value.

• Arrangements to achieve fair access to services.
• The authority's strategic approach to commissioning across the entity and its partnerships and collaborations.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

• The arrangements for medium and short-term service planning, supported by projects and programmes, to ensure alignment to the vision and objectives.
• How budgets and resource strategies align to the delivery of objectives.
• How the authority uses self-assessment and continuous improvement to achieve value for money.
• The authority's performance management arrangements to ensure continued alignment to its objectives.
• Arrangements for the achievement of social value in commissioning, procurement and contracting.

Principle E: Developing the entity's capacity, including the capability of its leadership and the individuals within it

• Member and officer protocols and clarity over roles and responsibilities, including schemes of delegation.
• Application of the Code of Practice on Good Governance for Local Authority Statutory Officers.
• How financial management roles align with:
– CIPFA Financial Management Code (FM Code)
– CIPFA Statement on the Role of the Chief Financial Officer in Local Government (2015),
The Role of the CFO in Combined Authorities (2024) or The Role of Chief Financial Officers in Policing (2021), as appropriate.
• The arrangements in place for the discharge of the monitoring officer function.
• The arrangements in place for the discharge of the head of paid service function.
• Induction and development programmes to meet the needs of members and senior officers in relation to their strategic roles.
• Workforce planning and organisational development.
• Arrangements for learning and development, and health and wellbeing.

Principle F: Managing risks and performance through robust internal control and strong public financial management

• Risk management policy, strategy and arrangements for review.
• How financial management arrangements align with the Financial Management Code.
• Internal control arrangements including:
– Cyber, AI and information security arrangements
– information governance
– asset management
– procurement and contract management.

• Assurance frameworks across the three lines. The framework should set out how the leadership team obtains its assurance, including from management, risk and compliance arrangements, and internal audit.
• Internal audit arrangements in conformance with the Global Internal Audit Standards in the UK public sector (GIAS and the Application Note) and the CIPFA Code of Practice on the Governance of Internal Audit.
• Arrangements for formal overview and scrutiny (as applicable).
• Facilitation of internal and external challenge.
• Undertaking the core functions of an audit committee, as identified in Audit Committees: Practical Guidance for Local Authorities and Police (CIPFA, 2022).
• Counter fraud and anti-corruption developed and maintained in accordance with the Code of Practice on Managing the Risk of Fraud and Corruption (CIPFA, 2014).
• Governance, risk and control arrangements across companies, partnerships, collaborations and arm's length bodies.
• Internal governance and assurance standard (fire services only).

Principle G: Implementing good practices in transparency, reporting and audit to deliver effective accountability

• Arrangements for the timely response and support to the work of external audit, internal audit and other inspection or regulatory action.
• Approach to welcoming external challenge and implementing recommendations.
• How learning and improvement are actioned.
• How transparency and accountability are maintained across collaborations and arm's length bodies, such as trading companies and joint ventures.
• Accountability to the public and stakeholders is supported by clear assurance and ensures core areas are covered to enable better accountability in practice.

The local code should be a public document or webpage, easily identifiable on the authority's website. It should be a useful reference for both officers, elected representatives and the public to understand how governance works and the authority's commitment to good governance.

Within the local government sector there will be aspects specific to some bodies but not all, for example the operation of the Force Management Statement and the Code of Ethics in police bodies.

While the preparation of a local code is strongly recommended, it is not a requirement of the regulations. Where an authority does not publish a local code, it will need to explain the elements set out above in its AGS.

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Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

ANNUAL COUNTER FRAUD REPORT 2025-26

Purpose of Report

1. The purpose of this report is to inform the Corporate Governance Committee (the Committee) of the counter fraud activities that took place across the Council during the 2025-26 financial year.

Background

2. Within its terms of reference, the Committee has a responsibility to monitor the effectiveness of the Council's arrangements for combating fraud and corruption and approve relevant policies. The Council does not have a dedicated counter fraud investigation team. Responsibility for co-ordinating the Council's approach to counter fraud lies with the Internal Audit and Assurance Service, Corporate Resources department. As an upper-tier local authority, the Council does not have exposure to some of the high-volume, high-risk, fraud areas that typical district and unitary councils do, such as Council Tax, Housing Tenancy or Right to Buy. Looking to the future, a unitary model of local government for Leicestershire would see exposure to this wider range of fraud risks.

3. Although the Council does not provide many of the services that have traditionally been at high risk of fraud that is no reason for the Council to become complacent regarding the risk of fraud and its effect on the public purse. A strong commitment to countering the risk of fraud and other financial irregularity is key in protecting the Council's assets, monetary and otherwise. The Council fully recognises its responsibility for spending public money and holding public assets. The prevention, and if necessary, the investigation, of fraud is therefore an important aspect of its duties.

4. The Council advocates strict adherence to its anti-fraud framework and associated policies. The Council has a publicised **zero-tolerance** approach to fraud, corruption and other financial irregularities in all its forms. The Council will take all necessary steps to identify, investigate and disrupt instances of fraud and

take appropriate action against any individuals or organisations involved in fraud or corruption.

5. The CIPFA Code of Practice – Managing the Risk of Fraud and Corruption recommends an annual report is published summarising counter fraud activity across the organisation.

6. The Annual Counter Fraud Report 2025-26 is attached as Appendix A

Recommendations

7. The Committee is recommended to note the contents of this report.

Resource Implications

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

Equality and Human Rights Implications

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

Background Papers

None.

Circulation under the Local Issues Alert Procedures

None.

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List of Appendices

Appendix A: Annual Counter Fraud Report 2025-26

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APPENDIX A

Leicestershire County Council

Internal Audit & Assurance Service

Annual Counter Fraud Report (April 2025 – March 2026)

Leicestershire County Council Internal Audit & Assurance Service

Annual Counter Fraud Report (April 2025 – March 2026)

1. Introduction

This report summarises the counter fraud activity that has taken place within the County Council during the 2025/26 financial year.

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

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

2. Fraud Landscape

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

The Local Government Transparency Code includes an estimation that the cost of fraud to local government alone is in the region of £2.1 billion a year. This is money that can be better used to support the delivery of front-line services and to the benefit of local taxpayers. Local authorities continue to

face significant fraud challenges and the importance of protecting funds and vulnerable people remains. Tackling fraud is an integral part of ensuring that tax-payers money is used to protect resources for frontline services.

As an upper-tier local authority, the Council does not have exposure to some of the high-volume, high-risk, fraud areas that typically affect district and unitary councils, such as Council Tax, Housing Tenancy or Right to Buy, which comprise a significant proportion of the total national picture. Looking forward to Local Government Reorganisation, if the Government chooses a future council for Leicestershire & Rutland, this will see exposure to this wider range of fraud risks.

Fraud is a significant risk for all organisations and local government is no different. Fraud can be internally perpetrated (insider fraud or employee fraud) or externally perpetrated. Indeed, it could be a blend of internal and external factors, e.g. through collusion. Fraud could be perpetrated by a rogue individual(s) or could be the focus of organised crime groups. As a result of fraud and financial crime, organisations experience revenue loss, reputational damage, and increased operational costs.

3. Zero-Tolerance Approach to Fraud & Corruption

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

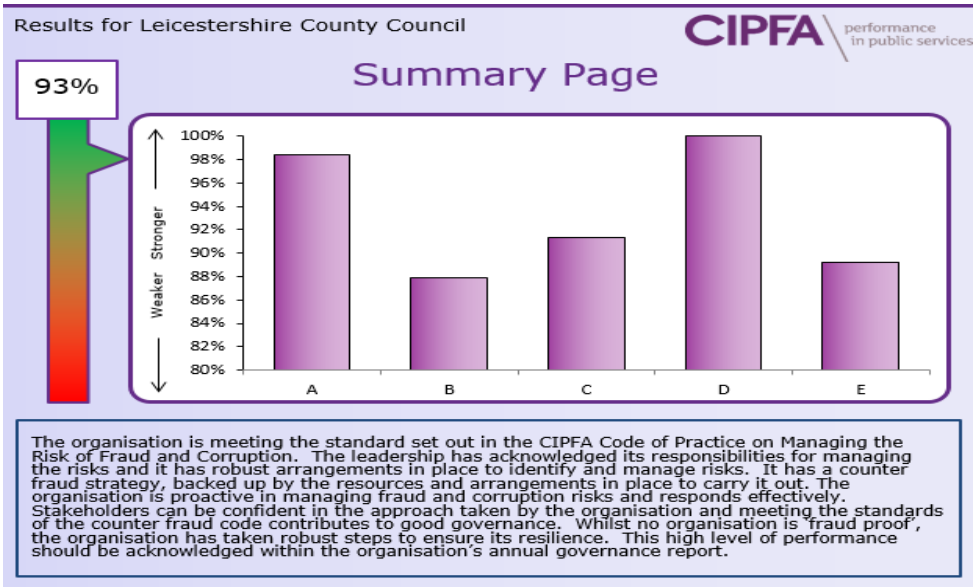
The Council fully recognises its responsibility for spending public money and safeguarding public assets. The prevention, and if necessary, the investigation, of fraud and corruption is therefore seen as an important aspect of its duties which it is committed to undertake.

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

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

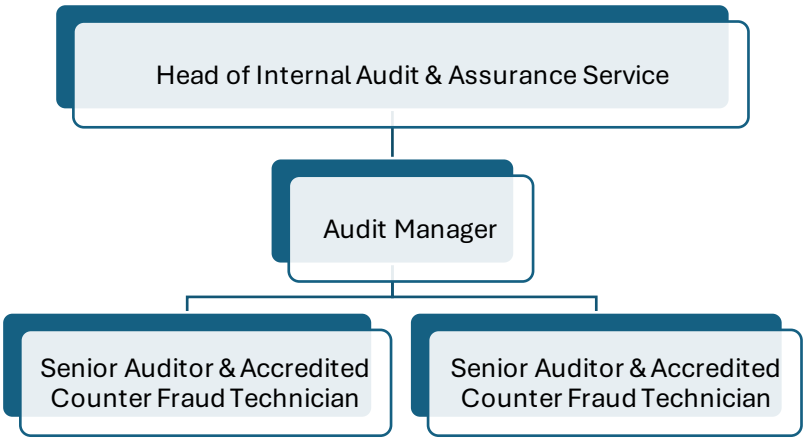
A - Acknowledge the responsibility of the governing body for countering fraud and corruption
B - Identify the fraud and corruption risks
C - Develop an appropriate counter fraud and corruption strategy
D - Provide resources to implement the strategy
E - Take action in response to fraud and corruption.

The most recent assessment was undertaken in 2023. The assessment method is primarily through self-evaluation; however, the Council elected to have its self-assessment peer reviewed by the Corporate Investigation Manager from a neighbouring council to independently stress-test the results/conclusions reached and to give an independent opinion that these were reasonable. The results of the 2023 assessment were overall positive with the recommendations arising from the assessment duly implemented.



5. Counter Fraud Resources

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



Counter fraud work is both proactive (planned) and reactive (i.e. demand-led, e.g. investigations, referrals coming from the biennial National Fraud Initiative data-matching exercise (NFI)). For the 2025/26 financial year, the total time incurred on counter fraud work was 73 days. The two senior auditors devoted almost 62 days (approximately 20% of their resource net of overheads and work for other clients).

6. Number and Status of New Investigations Commencing in 2025/26

	2025/26		*2024/25 (comparison)*
New Fraud Investigations Commencing in 2025/26 (*)	17	100%	*17*
Number Closed at Year-End	12	71%	*13*
Number Remaining Open at Year-End	5	29%	*4*

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

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

7. Undertaking Fraud Investigations

Responsibility for undertaking fraud investigations will depend upon several factors, e.g. the complexity of the matter under investigation. Some will be departmentally led by managers, with oversight and support from the Internal Audit & Assurance Service and other relevant stakeholders such as People Services and Legal Services. In some cases, the Internal Audit & Assurance Service may lead on the investigation, whilst in others it may be other specialist officers/teams, e.g. ICT Services, or on some occasions an externally commissioned resource. A strategy meeting of relevant officers may determine that a discussion is required with Leicestershire Police at an early stage to determine the Police's likely involvement. Occasionally, internal investigations will run parallel to Police investigations bringing potential complexity that may require careful coordination and management.

8. Summary of Investigations Closed in 2025/26 by Age

2025/26 Investigations Closed During 2025/26	12
Prior Year Investigations Closed During 2025/26	8
TOTAL NUMBER CLOSED DURING 2025/26	20

A summary of themes in relation to common fraud risks and investigations undertaken includes the following (n.b. this captures *closed* investigations only; it would not be appropriate at this stage to discuss details of *ongoing* investigations):

Employee / Insider Fraud	Insider fraud can take many forms, e.g. travel claims, theft, absence fraud, recruitment fraud, etc. A small number of low-level issues arose during the year, and appropriate action was taken in all cases in line with HR and other policies.
Council funding of external providers	This can comprise false or exaggerated claims or misspend of funding. In one case an overpayment was identified and clawed back, not due to fraud but due to a setting closing down unexpectedly.
Social Care	Social care fraud can include direct payments fraud, deprivation / non-declaration of assets and financial abuse of vulnerable service users (safeguarding). An investigation was undertaken following an incoming fraud referral. The case was noted to be 100% health funded so the investigation was passported to NHS Fraud after initial triage by the Council. Another investigation into the alleged theft of a service user's funds led to a successful Police prosecution. In a further case, a service user's contributions to the cost of care were reassessed following an investigation into concealed assets.
Disabled Parking Permits (Blue Badges)	Output from the National Fraud Initiative highlighted one case where a blue badge application was seemingly made after the individual's date of death. The blue badge was duly cancelled.
Insurance Fraud	Insurance fraud can take many guises, most commonly false or exaggerated claims. An investigation into a suspected exaggerated claim led to the insurance claim being rejected and the case reported to the Police.
Cyber Fraud	Cyber fraud can take many forms, e.g. mandate fraud, "bogus boss" fraud, payment redirection fraud, phishing attempts, etc. A small number of low-level issues arose during the year, and were dealt with as appropriate, with no financial loss to the Council.

	These were low impact issues causing inconvenience rather than breach of data.
Schools	Schools have delegated responsibility for finance. Loss recovery advice was given to a school that incurred a small financial loss as a result of mandate fraud.
Procurement	Exposure to procurement fraud could be in several areas, including the tendering and contract award stage and the post-contract award stage, e.g. overcharging, duplicate payments, etc. No fraud was identified during the year.
Grants Payable	Grant fraud can comprise bogus or exaggerated applications or misspend of grant. An incoming fraud referral led to an investigation into a community group, but it was determined that the group was not County Council-funded but instead grant funded by a Leicestershire District Council. The referral was duly passported on to the appropriate council.
Concessionary Travel	Allegations received regarding the alleged misuse of a personal transport budget (PTB) by a service user were disproven upon investigation. Whilst the referral was made to us in good faith, the referrer has misunderstood the PTB rules and there was no actual misuse.

9. Financial Outcomes / Recoverables

Financial outcomes associated with special investigations and counter fraud work are difficult to quantify. Sometimes there will be direct benefits achieved, for example stopping a fraud at source, recovery of a duplicate payment or repayment of a dubious transaction, e.g. travel or overtime claim, whereas other benefits arising from the work of the counter fraud function are unquantifiable, e.g. the notional 'value' associated with ongoing proactive counter fraud work and fraud awareness raising, and other 'deterrence' activity. It is not possible to gauge or calculate how many frauds

or errors have been prevented as a result of fraud advice, fraud awareness raising and maintaining a strong internal control environment.

Examples of recoverables during the year include the challenge to, and rejection of, an exaggerated insurance claim (c. £10k), the recovery of an advanced payment to a commissioned provider that subsequently ceased to operate (c. £11.5k) and the reassessment of a client's social care financial assessment due to the identification of concealed assets (c. £8.9k).

The National Fraud Initiative (NFI) is a biennial, national, data-matching initiative co-ordinated by the Public Sector Fraud Authority (PSFA). NFI sees the Council's data 'matched' against data from many other mandatory participants with anomalies returned to participants for further investigation. For initiatives such as the National Fraud Initiative there is a nationally accepted formulae set used to extrapolate and put an estimated value to 'forward savings'. Reportable figures reflect that full benefit can be both an *actual amount* recovered and a notional '*forward saving'* (estimation of future loss prevented).

Examples of positive outcomes from National Fraud Initiative (NFI) work include the recovery of payments to a care home failing to notify the Council of the death of a resident (c. £32k), the recovery of a direct payment overpayment as a result of an incorrect date of death held (c. £600) and a notional benefit due to the cancellation of a fraudulently obtained blue badge (c. £800). In addition, because of NFI work a number of both blue badges and concessionary travel passes have been cancelled where the holders have been identified as recently deceased. NFI attributes standard 'financial benefit' figures of £794 (blue badges) and £38 (concessionary travel passes) respectively in each case.

Additionally, internal audit-brokered work through the National Fraud Initiative has identified a small number of not-known-about deaths in relation to the Pension Fund, enabling steps to be undertaken to seek recovery of overpayments made. Whilst deaths are generally identified through business-as-usual channels, NFI work does pick up some deaths earlier in the process thus it brings advantage in minimising the value of any

overpayments that may otherwise be made. This can aid the recovery process.

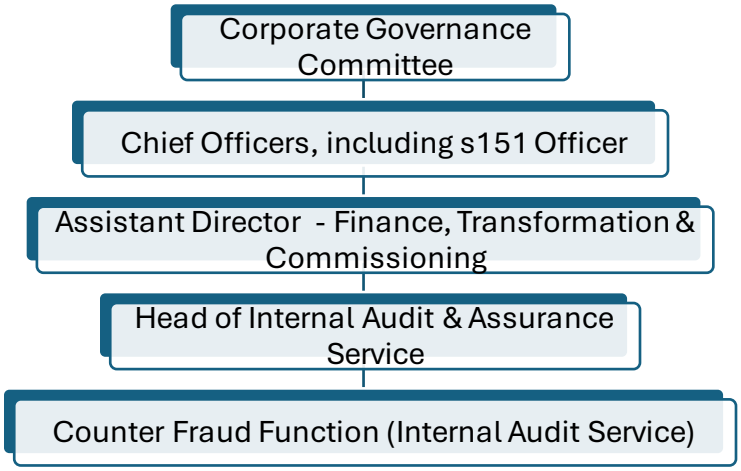
It is not uncommon for the Council to receive fraud referrals in error that are, for example, relevant to district councils, e.g. council tax fraud. These are passported on to the relevant council/agency for action. Such referrals are likely, ultimately, to lead to further savings to the public purse. Misdirected fraud referrals, therefore, are a good example of us sharing intelligence received with other councils/agencies for the wider benefit of the public purse.

10. Lessons Learned / Continued Service Improvement

The Council takes fraud prevention seriously and has effective controls in place, but the scale of the organisation means that some instances may still arise from time to time. Part of our standard response to every fraud is a review of lessons learned, in conjunction with the relevant service concerned, and implementation of process improvements in order to prevent or mitigate the risk of recurrence.

11. Governance of Counter Fraud Activity

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



Counter fraud updates are provided to the Corporate Governance Committee primarily through this annual reporting process as well as ad hoc in-year reporting as part of the standing risk management update, where appropriate.

12. International Fraud Awareness Week (IFAW)

During International Fraud Awareness Week each November, Internal Audit & Assurance delivers targeted fraud awareness messages to staff. The campaign strengthens fraud prevention and includes practical advice on personal fraud risks as part of the Council's good employer responsibilities.

Whilst IFAW gives a good opportunity to specifically focus on counter fraud awareness raising and other initiatives, in reality proactive counter fraud work takes place throughout the year, with ongoing advice and support provided within the organisation as and when relevant.

During IFAW 2025 messages were shared with staff on topics such as career polygamy risk (overemployment), cyber-enabled fraud, declaring secondary employment, how to report concerns, the new corporate 'Failure to Prevent Fraud' offence, mandatory fraud awareness training and common frauds and scams.

13. Fraud Risk Assessment

The CIPFA Code of Practice – 'Managing the Risk of Fraud & Corruption' recommends that local authorities identify and assess the major risks of fraud and corruption to the organisation. The Internal Audit & Assurance Service performs a biennial fraud risk assessment and uses the results to

direct counter fraud resources accordingly. The County Council does not provide many of the services that have traditionally been considered to be at high risk of fraud, such as revenue and benefits but it is recognised that the Council cannot become complacent regarding the risk of fraud and its effect on the public purse.

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

The Council's latest Fraud Risk Assessment (2024) highlights procurement fraud, social care fraud (e.g. misuse of direct payments, deprivation/concealment of assets), cybercrime, mandate fraud and insider fraud as high-scoring fraud risks. These high-scoring areas are typically those recognised up and down the country by other councils too. The fraud risk assessment helps to direct the Council's overall strategy for countering fraud and enables the Council to direct its counter fraud resources accordingly. Consequently, this informs the internal audit annual planning process where a range of audit assignments will typically be developed within the annual audit plan with specific fraud risk areas in mind.

In terms of *emerging* fraud risks, cyber-crime becomes ever more sophisticated, whilst the risks associated with insider fraud are acknowledged as being greater during economic downturn, e.g. with cost-of-living pressures. Artificial intelligence (AI) is a major emerging fraud risk globally and an enabler to cyber-crime. Career polygamy too is seen as an emerging fraud risk, i.e. an individual undertaking two or more jobs concurrently.

We are yet to fully see how artificial intelligence (AI) will change the fraud landscape, both as an *enabler* to fraud and a key tool in the *detection* of fraud and error. Organised criminals are adopting generative artificial intelligence (GenAI) tools such as deepfakes, large language models, and voice cloning to improve the sophistication, credibility and volume of attacks, and indeed the ease with which they can be carried out. Criminals are likely tailoring these tools to specific victims and fraud types, making attacks more effective and harder to detect.

We continue to raise the risk of AI-enabled fraud with key services, e.g. recruitment fraud, grant fraud, and continue to horizon scan for opportunities to use AI and other data-driven solutions to identify fraud and/or error.

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

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

The ‘Fraud Triangle’ [Cressey] illustrates the three fundamental factors that contribute to the risk/likelihood of fraud – (i) opportunity, (ii) rationalisation

and (iii) pressure (motivation). Through effective internal controls, organisations such as the County Council can significantly reduce the opportunity for somebody to commit fraud, whilst continued fraud awareness raising can manage the rationalisation factor by imparting a strong message that fraud committed against the County Council is not a victimless crime and that every pound lost to fraud is a pound that could have otherwise been spent on essential public services.

14. Insider (Employee) Fraud

Within any large organisation there is the risk of insider fraud. Insider fraud can take many forms including, but not restricted to, theft of cash or assets, bribery and corruption, concealed nepotism, recruitment fraud, sickness absence fraud, undeclared secondary employment, funds re-diversion to false bank accounts, misuse of assets (e.g. vehicles), expenses fraud, abuse of position, theft of information.

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

The Council operates robust recruitment / on-boarding processes designed to ensure that candidates are both bona fide and suitable for employment within the organisation.

15. Failure to Prevent Fraud

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

Since the Council is within the scope of the legislation, an internal risk assessment has been undertaken which considers that there is low risk to the Council due to the nature of its operations. The offence arises only where employee fraud *benefits* the organisation itself.

It is a defence to the corporate offence for an organisation to show it has "reasonable procedures" in place to prevent fraud at the time that the fraud was committed. Steps have been taken to catalogue the wide range of counter fraud controls in place within the Council to mitigate the risk of employee (insider) fraud or fraud by other "associated persons", e.g. agency staff, consultants, contractors, service providers.

16. Counter Fraud Action Plan

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

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

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

17. Counter Fraud Policies and Procedures

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

These fraud policies can be accessed on the Council's website as well as, internally, on the corporate intranet.

18. Fraud Referral Channels

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

On occasions, incoming fraud referrals are noted to not have relevance to the County Council, e.g. benefit fraud (DWP), income tax avoidance (HMRC) or council tax fraud (district/unitary councils). In any such instances our approach is to forward on the referral to the appropriate council / agency.

19. Data Matching

The Council is an active participant in the National Fraud Initiative (NFI). The NFI is a mandatory data-matching exercise coordinated by the Public Sector Fraud Authority (PSFA), a function of the Cabinet Office, which seeks to identify potential anomalies and fraud through matching the Council's data sets, e.g. payroll, pensions, creditors, adult social care, etc.

Examples of what NFI data matching might identify include:

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

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

20. National Fraud Initiative 2024-26

The National Fraud Initiative (NFI) is a country-wide data matching exercise that takes place every two years. The Council is a mandatory participant. Output from the latest NFI exercise (2024-26) was released back to councils and other participants in December 2024 and investigations are complete.

21. Reporting Fraud under the Local Government Transparency Code

Under the statutory Local Government Transparency Code 2015, the Council is required to publish on its website, annually, summary details of fraud investigations including the total number of frauds investigated and the total amount spent by the authority on the investigation of fraud: -

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

22. Whistleblowing

The Council's whistleblowing process is administered by the Chief Legal Officer (Monitoring Officer) and Director of Corporate Resources. Whistleblowing referrals to the Council can arise on a wide range of issues, including regarding fraud or financial irregularity. Where a whistleblowing referral concerns fraud it is progressed under the Fraud Response Plan.

In addition, the Chief Legal Officer and Director of Corporate Resources take an annual whistleblowing report to the Corporate Governance Committee.

23. Mandatory Fraud Awareness Training

The Council's mandatory fraud awareness training module is available to all staff, both digitally and in manual formats. Take-up is currently over 88%, commensurate with the Council's other mandatory training modules. Steps continue to target those sections with low take-up rates.

Two-yearly mandatory refresher training on fraud awareness has been developed in an on-going effort to keep fraud risks prominent in the minds of staff.

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

The Council's fraud resource page on the Corporate Intranet (SharePoint) is maintained up-to-date and remains relevant. This page contains advice and guidance to staff on a range of fraud-related issues and links to relevant policies and fraud referral channels.

24. Links With Other Internal Services

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

Fraud alerts are issued to key stakeholders throughout the year, e.g. based on national intelligence received (and other sources). These can be via a variety of means, e.g. corporate intranet, direct contact, etc.

The Council's Trading Standards Scams Team issues advice to consumers through the year through consumer newsletters, social media presence and other communications, e.g. Leicestershire Matters. The Council is well-placed to help consumers and the general public to become and remain

'fraud aware' and to develop a scepticism that sometimes all is not what it seems.

25. Liaison with Leicestershire Police

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

The Council has strong links with Leicestershire Police and in particular with the Force's Economic Crime Unit. This enables developing investigations to be discussed with the Police at an early stage and, if necessary, prior to formal referral as a crime.

26. External Networking

The Internal Audit & Assurance Service networks with external bodies and organisations to share fraud intelligence and advice. This includes the Midland Counties' Fraud Group, the CIPFA Counter Fraud Centre, The National Anti-Fraud Network (NAFN), The East Midlands' Cyber Resilience

Centre, neighbouring local authorities, The National Trading Standards Service, The Cabinet Office, and Leicestershire Police.

27. Other Fraud-Related Work Across the Council

In addition to specific counter fraud work, there is business-as-usual work within the Council which has a fraud slant, for example: -

- Disabled person's parking permits (blue badges), where Enforcement Officers will issue Penalty Charge Notices (PCNs) in cases of low-level blue badge misuse.
- Leicestershire Registration Service, e.g. sham marriages or concerns surrounding impersonation and identity crime.
- Trading Standards enforcement work, e.g. counterfeit goods, rogue trading, other business-specific fraud.
- Social Care – assessment of care needs, financial assessment, validity of spend, e.g. direct payments.
- Welfare grant funding, e.g. Crisis & Resilience Fund.
- Procurement, both at pre-contract and post-contract award stages.

28. Schools

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

Portal, or best practice advice. Specific fraud advice was issued to schools during International Fraud Awareness Week 2025.

The Internal Audit & Assurance Service undertakes routine assurance audit work in schools, predominantly through themed audits, whilst we reserve the right to undertake site visits, unannounced if required, where there are specific concerns arising.

Appendix 1 – Counter Fraud Action Plan 2024-26

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

7.	To co-ordinate investigations into priority matches identified by the National Fraud Initiative 2024/25 output reports.	August 2025	Complete
8.	Explore the virtues of developing a role of a departmental fraud champion, a friendly face within each department who can act as a point of initial contact for both departmental staff and the corporate counter fraud function, e.g. dissemination of information.	August 2025	Complete
9.	Evaluation of additional services available to procure through the National Fraud Initiative (NFI), CIFAS, and other solutions, e.g. additional data matching, supplementary to the main (two-yearly) NFI exercise.	August 2025	Complete
10.	Evaluate the potential benefits of moving to an annual counter fraud report to the Corporate Governance Committee.	August 2025	Complete
11.	To deliver fraud awareness training to School Business Managers through the (new) SBM Forum established by the C&FS department (c/f from 2022-24 Action Plan due to resource issues).	December 2025	Delayed but replaced by written fraud advice to schools
12.	Monitor changes and enhancements to the Council's processes regarding blue badge fraud resilience post the outcome of the Department for Transport (DfT) national review of blue badge fraud and councils' approaches to tackling it (c/f from 2022-24 Action Plan due to DfT inactivity).	December 2025	Ongoing

13.	Roll-out within the Council of the Fighting Fraud & Corruption Locally (FFCL) Adult Social Care fraud toolkit and resources.	July 2025	Complete
14.	Contribute to the Transformation Unit's work on Savings Under Development – Responsible Payments.	July 2025	Ongoing
15.	To review the process for identifying and actioning any lessons learned following closed investigations.	July 2025	Complete

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Agenda Item 17

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

REPORT OF THE DIRECTOR OF PUBLIC HEALTH, COMMUNITIES, LAW AND GOVERNANCE

RESILIENCE AND BUSINESS CONTINUITY ANNUAL UPDATE

Purpose of Report

1. The purpose of this report is to provide the Corporate Governance Committee (CGC) with an update on the Council's Resilience and Business Continuity activities, work undertaken with other Leicester, Leicestershire and Rutland local authorities, and wider multi-agency resilience activities, in the period April 2025 to end of March 2026.

Background

2. As a Category 1 Responder (as defined by the Civil Contingencies Act (2004)), the Council fulfils its statutory obligations through membership of the Leicester, Leicestershire and Rutland Resilience Partnership and Local Resilience Forum and via the Business Continuity Policy and associated delivery structure.

3. The Resilience Partnership team provides representation within the multi-agency arena of the Local Resilience Forum by several professional Resilience Officers and the formulation of both incident response and framework plans. This team also provides 24-hour response capability and the establishment of Emergency Centres and Humanitarian Assistance in conjunction with council departments and the local voluntary sector.

4. The Council's Incident Management Plan and Business Continuity Policy are the strategic documents which describe the core principles by which the Council maintains its ability to respond to internal and external "Major Incidents" that impact on business as usual.

Incident Management & Business Continuity Plans

5. Council resilience and business continuity management is delivered through the production and exercising of general and specialist plans.

   (i) Leicestershire County Council Incident Management Plan

   This is a single purpose plan for the structured response to a major incident that lays out the Council's response to both internal and external incidents that impact to such a degree that normal day to day operations of the Council become affected. As well as general guidance and identified roles and responsibilities for departments and areas of the Council, itemised 'Action Cards' give an *aide-memoire* of pre-agreed actions for key personnel to facilitate a more strategically led process.

(ii) Business Continuity Plans at Two Levels of Provision

Department Management Team (DMT) Business Continuity Plans: These plans combine the information captured from the team level plans to allow DMT managers to effectively assess risk and plan contingency measures to ensure continuity of service during an incident that impacts on business continuity. These plans are overseen by the Resilience Planning Group (RPG).

Team Business Continuity Plans: As per the previous report, plans now include Business Impact Analysis and Risk Assessment. The plans are now fully aligned to the DMT plans and include a widespread power outage section.

Business Continuity Progress Summary

6. The following is a summary of progress achieved on the Council's Resilience and Business Continuity activities:

- Business Continuity critical supplier assurance – continue to review and assess assurance levels of critical suppliers' business continuity plans on a three yearly cycle. This remains an identified item on the RPG agenda with feedback provided and a breakdown of external plans and agreement on how to proceed.

- The Resilience and Business Continuity team are on a rolling programme of delivering familiarisation training to Council managers grades 11-16. This involves 1350 managers and is likely to take in the region of three years to complete. Familiarisation of grades 15-16 face to face training has now been completed and has been well received (75 people in total). The familiarisation package has continually been reviewed and updated based on feedback. The familiarisation package for grades 11-15 is currently being developed and will be ready to commence in the new financial year. These sessions will be delivered online.

- Lessons identified to a lessons learnt procedure has now been embedded and implemented by the RPG. The organisation and departmental debrief process is now embedded into the lessons identified/lessons learnt process. This is now identified in the RPG agenda, with feedback provided at each meeting.

- Following the structured debrief, one of the outcomes relates to a review of the On Call Senior Manager (OCSM) process and this is now in progress.

- Business Continuity Officers (BCO's) continue to work closely with departments on the actions process against ISO22301 (Business Continuity Management Systems – further details can be provided on request) and have provided the RPG with a detailed breakdown of assurance against the standard.

- A Business Continuity Plan project has now been implemented. Three departments have completed the process of reviewing Tier 1 Critical Service plans to ensure the BC plans align to the ISO 22301 standard. Testing and validation will be arranged shortly; however, this sits with line management to complete. The recent change in relation to departments will require rationalising in relation to the project; however, this is not seen as an issue that would extend the project timescales.

- The Business Continuity audit has been completed and a report has been issued. Several recommendations have been made. Once addressed these will help to further embed the BC processes and associated BC plans within the organisation. The regular feedback for the audit is reported to the Corporate Management Team on a quarterly basis.

- Two structured debriefs have been undertaken (flooding in January 2025 and IT in October 2025). Both debriefs have generated reports that have been issued to RPG, with task and finish groups set up to work through the lessons identified highlighted from the report.

Resilience and Emergency Planning Progress Summary

7. The Council's Incident Management plan is active and was used in several incidents throughout 2025. From this, several annexes have now been identified and will be added on at the next review date.

8. Following the IT outage in October 2025, RPG was stood up and WhatsApp was used due to systems being down. A structured debrief has taken place and lessons identified.

9. Storm Claudia – TCG groups were set up in preparation to be prepared due to a Met Office warning and Environment Agency flood advisory services (FAS) were called. A County Council officer chaired the TCG.

10. A yearly training cycle is ongoing, and this is aligned to the National Occupational Standards and the National Resilience Standards. The Resilience and Business Continuity team members are reviewing existing training and exercise packages to ensure these are relevant and up to date. The OCSM review will help inform a more tailored approach per OCSM and RPG members.

11. Implementation from the learning from national and local incidents are ongoing.

Concurrent Incidents

12. The risk of concurrent incidents, including flooding, remains high and the potential impact on the Council would cause significant disruption to services and officers. The ability to move meetings to a virtual platform has proven to help minimise the impact on officers and supports flexible working.

Learning from national inquiries

13. The Resilience and Business Continuity team is continuing to take account of lessons learnt from the Manchester Arena and now the Grenfell inquiry and feed this back into the resilience and business continuity workplan and the OCSM review

Business as Usual

14. All programmed reviews of plans and policies have either been completed or are due for completion in line with expected timeframes as agreed with the Resilience Planning Group.

Training

15. During this reporting period a continuous programme of training and development has taken place including those activities listed below:

- LRF Immersive training Strategic Coordination Group/Tactical Coordination Group - these courses have now been extended to two days and are ongoing with a different provider, engaging with online 2-hour refresher training. This is CPD training.

- A Counter terrorism training package has been delivered to County staff and all have completed.

- Promoting the internal Resilience Partnership Training and external Local Resilience Forum training to local authority staff. Moving forward the OCSM training will be reviewed accordingly.

- A familiarisation session was delivered to schools and academies around Resilience and Business Continuity. Attendance for this session was good and the subject was well received.

Exercises

16. During this reporting period several internal and external exercises have taken place, these include:

- A small number of BC exercises have been completed to include Adults and Communities and IT. Public Health, EMSS and Corporate Resources have expressed interest in receiving support from the team to complete structured exercises.

- Exercise Vulcan is a series of Tactical Coordinating Group (TCG) and Strategic Coordinating Group (SCG) multi-agency exercises, led by Leicestershire Fire and Rescue Service, with the County Council taking part.

- There have been many national/multi-agency exercises that have been undertaken for this reporting period, for example, Exercise Solaris Pandemic Influenza, Pegasus National Pandemic exercise. There is an ongoing exercise, Mercury, which is based on a large-scale road traffic

collision (RTC); this included SCG/TCG/Recovery Coordinating Group (RCG), culminating with a coroner's inquiry in February 26.

Incident Responses during 2024/25

County Council Incidents

17. Since the last annual report to this Committee, internal incidents of varying levels of severity have required Resilience and Business Continuity support and follow-on actions. The role of the Resilience and Business Continuity team is to coordinate the Council response meetings, collate actions and provide advice and support to senior managers. Incidents have included:

- Medical Assistance – internal county council meeting prior to TCG being called
- LCC IT outage – RPG called, structured debrief completed
- Leicestershire LRF Flood Advisory Service Telecon (storm Claudia) information was provided to RPG
- Storm Goretti – RPG preparation meeting called

18. The Resilience and Business Continuity team attend multi-agency meetings to identify potential hazards early and feed these back into the RPG where departments are asked to identify any impacts that may be occurring. This still remains high, with the biggest risk being cyber incidents.

Multi-Agency Incidents

19. As part of the multi-agency response to major incidents, the Council's Resilience and Business Continuity team was involved in the response to the following incidents:

- Police incident (summer 2025) – TCG called
- Medical Assistance – TCG called
- LLR RTC – M1 south J21 – TCG called
- Leicestershire LRF Flood Advisory Service Telecon
- Storm Claudia – SCG & TCG called
- The Resilience and Business Continuity Team have supported several incidents across the wider LLR partnership.

Schedule of Work - 2026/27

20. The planned areas on which work will be focused during the next 12 months:

- Initiate training, capability assessment and support project for business continuity management (2-year project)
- Resilience and Business Continuity team to create a training and exercise programme cycle
- Incident management centre policy and procedure to include role profile and testing – yet to be completed
- Develop OCSM and RPG training and refresher programme – ongoing and linked to OCSM review
- Incident response briefing sessions for all departments – yet to be completed
- Development of command-and-control system for Leicestershire County Council – ongoing, initial report submitted to CMT as part of the OCSM review, further work required
- Development of Resilience Planning Group (RPG) operating procedures for incidents – ongoing
- Maintain the work on lessons identified from structured debriefing
- Adoption of transformation unit project plan process – ongoing
- Resilience and Business Continuity team is involved in undertaking risk assessments in line with the national risk register and community risk register. This is in conjunction with Corporate Risk ensuring that these documents are embedded in the Council's risk register.

Resource Implications

21. Following review of current workloads and administration, with a recommendation of the BC audit, a Business Continuity Support Officer has been recruited on a fixed term 3-year contract.

22. Following direction from RPG and in consultation with Commissioning Support Unit (CSU), a case to employ an experienced Business Continuity Officer (BCO) is being developed to provide a prevention instead of cure approach. This will require a full time one-year fixed term BC officer to be recruited or service procured.

Equality Implications

23. None specifically arising from this report. However, it should be noted that at the start of any SCG response and recovery mobilisation the needs of vulnerable individuals and communities are prioritised. Data and resources are

pooled into a coordinated response to protect and support those in greatest need.

Human Rights Act (HRA) implications

24. None specifically arising from this report.

Recommendation

25. The Committee is asked to note and comment on the report.

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Agenda Item 18

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26th JUNE 2026

ANNUAL REPORT ON THE OPERATIONS OF CONTRACT PROCEDURE RULES

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE ASSISTANT DIRECTOR OF LAW AND GOVERNANCE

Purpose of the Report

1. The purpose of this report is to report on the operation of the Contract Procedure Rules between 1st April 2025 and 31st March 2026.

Background

2. The Contract Procedure Rules are the Council's formal rules to govern how it buys goods, services and works. They are Part 4G of the Council's constitution and fully define the standards, processes and thresholds that must be followed to ensure procurement is legal, fair, transparent and delivers value for money.

3. Rule 8 (Public Contract Regulations 2015) (PCR2015) and Rule 40 (Procurement Act) (PA23) detail the requirement for Annual Reporting of the Council's Contract Procedure Rules. The annual reporting requirements stipulate that the Director of Corporate Resources, in consultation with the Assistant Director of Law and Governance, shall at least once in each financial year submit a report to the Corporate Governance Committee in relation to the operation of these Rules. This includes details of approved exceptions to these Rules and approved extensions or modifications to a contract where this has not been provided for in the original contract.

4. The Council continues to operate under two sets of procedures, the Procurement Act 2023 for all new procurements and Public Contract Regulations 2015 for historic contracts.

Approved Exceptions to the Rules

5. Between 1st April 2025 and 31st March 2026, twenty seven approved exceptions, which are allowed for under Rule 6 (PCR2015) and Rule 57 (PA23) of the Contract Procedure Rules (CPRs) have been recorded in the Exceptions Logs maintained by the Council's Commissioning Support Unit and Chief Officers. Approved exceptions under Rule 6a (PCR2015) are not included in the reported figures as they are for sole supplier contracts under the Public Contract Regulations 2015. Full details of the exceptions are set out in Appendix A, attached to this report. In Appendix B details are provided on Rule 6 and 57.

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

Table 1: Comparison of Approved Exceptions			
Period	Number of Approved Exceptions	Total Value of Approved Exceptions	No. of Exceptions above relevant UK Threshold
1st April 2025 to 31st March 2026	27	£4m	2
1 April 2024 to 31 March 2025	75	£7.9m	2
1 April 2023 to 31 March 2024 Reporting timelines changed to align with financial year.	88	£9.9m	8
1 July 2022 to 30 June 2023	97	£7.4m	5

6. From Table 1, in comparison to the previous year there has been a significant reduction in the number of exceptions granted.

7. This improvement has been supported through closer scrutiny of procurement pipelines and spend data to identify requirements at an earlier stage. The Commissioning Support Unit has also worked proactively with departments to support compliance with procurement processes and to help secure value for money. Quarterly compliance reporting has also been provided to the Corporate Management Team (CMT), with analysis by department to support targeted accountability. This reflects the fact that CMT, as directors of the relevant departments, are best placed to influence behaviour and drive improvement.

8. Improving forecasting through pipelines, early engagement with the procurement team and improved category management will continue to ensure avoidable exceptions are reduced.

Approved Contract Extensions and Modifications where no provision in the Contract

9. During the reporting period 1st April 2025 to 31st March 2026, in compliance with Rule 30(c) and Rule 30(e) (PCR2015) and Rule 45(b) and 48(k) (PA23) of the CPRs, there were thirty-seven contracts either where there was no provision within the original contract for an extension or where the proposed contract variation required such approval. Details of these are set out in Appendix A, attached to this report. In Appendix B, details are provided on Rule 30 (c)(e) and Rule and 45(b) and 48(k).

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

Table 2: Comparison of Approved Contract Extensions and Modifications			
Reporting Period	Number of Approved Modifications Or Extensions	Total Value of Contracts (including value of approved extensions/modifications)	No of Extensions/ Modifications above relevant UK Threshold
1 April 2025 to 31 March 2026	37	£355m*	15
1 April 2024 to 31 March 2025	21	£72m	10
1 April 2023 to 31 March 2024 Reporting timelines changed to align with financial year.	11	£125m*	2
1 July 2022 to 30 June 2023	13	£26m*	6

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

11. The increase reflects a number of individual cases arising from differing operational requirements during the year, rather than any single identifiable trend or systemic issue. Each modification was considered and approved on its own merits in line with the Contract Procedure Rules.

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

Approved Provider Selection Regime (PSR) procurements

13. The provider selection regime (PSR) replaced aspects of the procurement regulations for health services in January 2024. All organisations must include information about procurement decisions made under PSR in their annual reporting.

14. During the reporting period 1st April 2025 to 31st March 2026 there were three contracts awarded under PSR. Two using process B and one using process C. Details of these are set out in Appendix A of this report.

Future reporting arrangements

15. The future reports on the operation of the Contract Procedure Rules will remain aligned with the financial year (1st April – 31st March).

16. A further report to the Corporate Governance Committee is presented every January to allow for capture of annual changes and updates to the Contract Procedure Rules.

Equality Implications

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

Human Rights Implications

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

Recommendations

19. It is recommended that the contents of this report on the operation of the Contract Procedure Rules between 1st April 2025 and 31st March 2026 be noted.

Background Papers

The Constitution of Leicestershire County Council
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=1187&MId=7661&Ver=4&Info=1

Circulation under the Local Issues Alert Procedure

None

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Appendices

Appendix A - Details of approved Exceptions and Contract Extensions/ Modifications (April 2025 – March 2026).

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

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Above Threshold						
Fiscal Year	**Quarter**	**Contract Title**	**Rule**	**Department**	**Value**	**Comment**
YR 25-26	Q4(1st Jan-31st Mar)	Temporary Staffing Supply	57d	Adults & Communities	£300,000.00	Corporate Contract not able to deliver.
YR 25-26	Q4(1st Jan-31st Mar)	LCC Reactive & Planned Maintenance Frameworks	57d	Corporate Resources	£2,000,000.00	Continuation of current contract while the re procurement is complete.

Below Threshold					
Fiscal Year	**Quarter**	**Contract Title**	**Rule**	**Department**	**Value**
YR 25-26	Q1(1st Apr-30th Jun)	CCTV Drainage Investigation Equipment	57a	Environment & Transport	£33,641.00
YR 25-26	Q1(1st Apr-30th Jun)	Causeway - one.network map access	57a	Environment & Transport	£11,365.00
YR 25-26	Q1(1st Apr-30th Jun)	Overnight Short Breaks for ES	57a	Childrens and Family Service	£50,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Library Service catalogue record licences	57a	Adults & Communities	£62,700.00
YR 25-26	Q1(1st Apr-30th Jun)	Demand Responsive Taxis (DRT)	57a	Environment & Transport	£68,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Migration of Records from Wisdom into our Social Care Case Management Systems	57b	Corporate Resources	£140,000.00
YR 25-26	Q1(1st Apr-30th Jun)	GDPR In Schools	57a	Corporate Resources	£32,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Supply of Frozen Food	57b	Corporate Resources	£150,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Supply of Frozen Foods	57b	Corporate Resources	£150,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Redstor Remote Backup	57a	Corporate Resources	£50,014.00
YR 25-26	Q1(1st Apr-30th Jun)	Remote Backup Service for Schools and Academies	57a	Corporate Resources	£11,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Temporary Staffing Supply	57a	Adults & Communities	£80,000.00
YR 25-26	Q1(1st Apr-30th Jun)	WPC Annual Support Contract	57a	Cheif Executives	£13,000.00
YR 25-26	Q2(1st Jul-30th Sep)	Data Services	57b	Corporate Resources	£170,000.00
YR 25-26	Q2(1st Jul-30th Sep)	Kibworth Mead Academy - SuDS Scheme	57b	Environment & Transport	£190,000.00
YR 25-26	Q2(1st Jul-30th Sep)	K2 Property Asset Management System	57a	Corporate Resources	£28,500.00
YR 25-26	Q2(1st Jul-30th Sep)	M69 Junction 2/ Stoney Stanton SDA - Multiple contracts	57a	Corporate Resources	£94,797.00
YR 25-26	Q2(1st Jul-30th Sep)	GDPRiS	57a	Corporate Resources	£19,484.00
YR 25-26	Q3(1st Oct-31st Dec)	Wash Brook Oadby - Urgent Watercourse Works	57a	Environment & Transport	£10,000.00
YR 25-26	Q3(1st Oct-31st Dec)	511748 Transport for social care user	57a	Environment & Transport	£135,999.00
YR 25-26	Q4(1st Jan-31st Mar)	Gores Lane footway widening	57a	Environment & Transport	£52,523.00
YR 25-26	Q4(1st Jan-31st Mar)	venue commissioning and management	57a	Environment & Transport	£58,000.00
YR 25-26	Q4(1st Jan-31st Mar)	Adult Social Care Leadership & Development Programme	57b	Corporate Resources	£130,000.00
YR 25-26	Q4(1st Jan-31st Mar)	QPaths (eligibility assessments)	57a	Environment & Transport	£4,167.00
YR 25-26	Q4(1st Jan-31st Mar)	QPaths - cligibility assessments	57a	Environment & Transport	£19,000.00

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Contracts Modified					
Fiscal Yea	Quarter	Contract Title	Rule	Department	Contract Value
YR 25-26	Q1(1st Apr-30th Jun)	A511 MRN Growth Corridor CPO Implementation	30c	Cheif Executives	£100,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Oracle Verification	30c	Corporate Resources	£120,942.00
YR 25-26	Q1(1st Apr-30th Jun)	Head of Strategic Property Service interim	30c	Corporate Resources	£80,000.00
YR 25-26	Q1(1st Apr-30th Jun)	Matthew Algie	30c	Corporate Resources	£40,000.00
YR 25-26	Q1(1st Apr-30th Jun)	SV5 DPS for provision of home to school transport	30c	Environment & Transport	£180,000,000.00
YR 25-26	Q1(1st Apr-30th Jun)	website hosting & Support	30c	Corporate Resources	£26,170.00
YR 25-26	Q1(1st Apr-30th Jun)	FoxConnect DDRT	30c	Environment & Transport	£255,840.00
YR 25-26	Q1(1st Apr-30th Jun)	Biffa Syston Contract	30c	Environment & Transport	£2,468,700.00
YR 25-26	Q2(1st Jul-30th Sep)	LAISLAIS	30c	Corporate Resources	£816,458.00
YR 25-26	Q2(1st Jul-30th Sep)	Civils Resources	30c	Environment & Transport	£2,000,000.00
YR 25-26	Q2(1st Jul-30th Sep)	Blue Badge printing & production	30c	Environment & Transport	£27,000.00
YR 25-26	Q2(1st Jul-30th Sep)	Oracle Cloud SAAS Licenses	30c	Corporate Resources	£280,872.00
YR 25-26	Q3(1st Oct-31st Dec)	Project management and Quantity surveying for phase 3 airfield.	30c	Corporate Resources	£52,557.00
YR 25-26	Q3(1st Oct-31st Dec)	Supply and installation Contract Traffic Signals	30c	Environment & Transport	£1,000,000.00
YR 25-26	Q3(1st Oct-31st Dec)	Highways Monitoring Services	30c	Environment & Transport	£300,000.00
YR 25-26	Q3(1st Oct-31st Dec)	Replacement School transport for scholars of Robert Smyth Academy	48k	Environment & Transport	£16,112.00
YR 25-26	Q3(1st Oct-31st Dec)	Carers Support Service	30c	Adults & Communities	£181,260.00
YR 25-26	Q3(1st Oct-31st Dec)	Engineering and Construction contract for works - Airfield.	30c	Corporate Resources	£206,310.00
YR 25-26	Q3(1st Oct-31st Dec)	Advocacy	30c	Adults & Communities	£245,000.00
YR 25-26	Q3(1st Oct-31st Dec)	Dementia Support Service	30c	Adults & Communities	£365,442.00
YR 25-26	Q3(1st Oct-31st Dec)	Website Hosting & Support (Drupal Hosting)	30c	Corporate Resources	£64,957.00
YR 25-26	Q3(1st Oct-31st Dec)	LC2 Withdrawal and FC1 Expansion	30c	Environment & Transport	£724,000.00
YR 25-26	Q4(1st Jan-31st Mar)	Provision of PPE	30c	Environment & Transport	£50,000.00
YR 25-26	Q4(1st Jan-31st Mar)	Car Benefit Salary Sacrifice Scheme	30c	Corporate Resources	£850,000.00
YR 25-26	Q4(1st Jan-31st Mar)	Master Vendor Solution (vehicle hire)	30c	Environment & Transport	£6,396,000.00
YR 25-26	Q4(1st Jan-31st Mar)	Blue Badge Production and Postage	30c	Environment & Transport	£257,000.00
YR 25-26	Q4(1st Jan-31st Mar)	Highways Management System and Associated Services - Supplier Hosted Cloud Solution	30c	Environment & Transport	£194,697.00

Contracts Extended					
Fiscal Yea	Quarter	Contract Title	Rule	Department	Contract Value
YR 25-26	Q2(1st Jul-30th Sep)	Textiles contract	30e	Environment & Transport	£400,000.00
YR 25-26	Q2(1st Jul-30th Sep)	Collection and Treatment of WEEE from the RHWS Sites In Leicestershire	30e	Environment & Transport	£250,000.00
YR 25-26	Q2(1st Jul-30th Sep)	Extension of Scrap metal contract	45b	Environment & Transport	£0.00
YR 25-26	Q3(1st Oct-31st Dec)	Supported Living Dynamic Purchasing System (DPS)	30e	Adults & Communities	£156,789,898.00
YR 25-26	Q3(1st Oct-31st Dec)	Assisted Transport Project	30e	Environment & Transport	£20,000.00
YR 25-26	Q4(1st Jan-31st Mar)	New Ceiling Track Hoists, Servicing and Maintenance	30e	Adults & Communities	£1,040,000.00

YR 25-26	Q4(1st Jan-31st Mar)	Adult Counsellor for Victims and Survivors of Domestic Abuse	30e	Childrens and Family Service	£22,500.00
YR 25-26	Q4(1st Jan-31st Mar)	Domestic Abuse Family Support Workers	30e	Childrens and Family Service	£37,000.00
YR 25-26	Q4(1st Jan-31st Mar)	Specialist Therapeutic Support for Young People who have experienced Domestic Abuse	30e	Childrens and Family Service	£22,500.00
YR 25-26	Q4(1st Jan-31st Mar)	Outreach Workers to Support Victims and Survivors of Domestic Abuse	30e	Childrens and Family Service	£37,000.00

Fiscal Year	Quarter	Contract title	Department	Value	Additional Detail
Process B					
YR 25-26	Q2(1st Jul-30th Sep)	Long-Acting Reversible Contraception (LARC) Service 2025 - 2031	Public Health	£4,200,000.00	
YR 25-26	Q2(1st Jul-30th Sep)	Pharmacy Services 2025-2031	Public Health	£1,380,000.00	
Process C					
YR25-26	Q3(1st Oct-31st Dec)	Deprivation of Liberty Safeguards:Mental Health Assessor (S12 Doctors)	Adults & Communities	£2,600,000.00	

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Contract Exceptions

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

Contract Modifications & Extensions

Rule	Description
Public Contract Regulations 2015	

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

Procurement Act	
48 a Goods and Services Modification	Contract Value including the modification is below £179,087 excluding VAT. Value of the modification is under £100,000 and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48 b Goods and Services Modification	Contract Value including the modification is below £179,087 excluding VAT. Value of the modification is £100,000 or over and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48 c Goods and Services Modification	Initially a below threshold contract, however the proposed modification, regardless of value will result in the new contract value exceeding the relevant threshold, turning it into a Convertible Contract.
48 d Light Touch Modification	Contract Value including the modification is below £552,950 excluding VAT.
48 e	Contract Value including the modification is below £4,477,175 excluding VAT.

Works and Concessions Modification	Value of the modification is 10%, or below, of the contract value and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48 f Works and Concessions Modification	Contract Value including the modification is below £4,477,175 excluding VAT. Value of the modification is more than 10% of the contract value and the modification does not take the contract above the relevant threshold, keeping it below threshold. (Not applicable to ESPO).
48(g) Schedule 8- Permitted Modifications- 74(1)(a) of the Procurement Act.	The modification is permitted if it is provided for in the Contract and is within allocated budget.
48(h) Schedule 8- Permitted Modifications- 74(1)(a) of the Procurement Act.	The modification is permitted as set out in Schedule 8 of the Procurement Act. This includes modifications are that are: · Urgent due to the protection of life. · Caused by circumstances that could not reasonably have been foreseen and doesn't change the nature of the contract and does not increase the contract value by more than 50%. · The materialisation of a known risk (in the tender) and does not increase the contract value by more than 50%. https://www.legislation.gov.uk/ukpga/2023/54/schedule/8
48(i) Non-Substantial Modifications- 74(1)(b) and 74(3) of the Procurement Act	The modification is not a substantial modification as defined in Section 74(3) of the Procurement Act, if it does not: · increase or decrease the value of the contract by 10% or less for goods and services or 15% or less for works; or · increase or decrease the term of the contract 10% or less of the maximum term provided for on award; or · materially change the scope of the contract; or · materially change the economic balance of the contract in favour of the supplier https://www.legislation.gov.uk/ukpga/2023/54/section/74
48(j) Below-threshold modification- 74(1)(c) and 74(4) of the Procurement Act	The modification is a below threshold modification to an above threshold contract or convertible contract, as defined in Section 74(4) of the Procurement Act, if it meets the following criteria: · It does not increase or decrease the value of the contract by more than 10% (for goods and services) or 15% (for works). · The cumulative value of all below-threshold modifications does not exceed the relevant threshold for the contract type. · The scope of the contract does not change materially. https://www.legislation.gov.uk/ukpga/2023/54/section/74
48(k) Other Modifications (not explicitly covered)	Other modifications that are not explicitly covered by the above categories.
45 a Below threshold Extension	Extension allowed for within the original tender/ contract
45 b	Extension not allowed for in the original contract

Below Threshold (where the original contract and the extension do not exceed the relevant threshold).	
45 c Above Threshold and Convertible Contracts (where the extension takes the contract above threshold)	Follow Rule 48

Agenda Item 19

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

JOINT REPORT OF THE ASSISTANT DIRECTOR OF LAW AND GOVERNANCE AND THE DIRECTOR OF CORPORATE RESOURCES

TERMS OF REFERENCE

Purpose of the Report

1. The purpose of this report is to seek the Committee's approval of the revised Terms of Reference for the Corporate Governance Committee.

Background

2. In accordance with the Local Government Act 1972 the County Council had previously delegated to the Corporate Governance Committee responsibility for non-executive functions relating to the promotion and maintenance of high standards and integrity within the Authority. This included governance, risk management, financial management, standards of conduct by members and co-opted members and the adequacy and effectiveness of the internal and external audit arrangements.

3. This delegation is included within the Council's Constitution (Part 3). On 4 December 2024 a revised delegation was agreed by Full Council that the Corporate Governance Committee's Terms of Reference will be agreed directly by the Committee.

4. At its meeting on 13 May 2026, the County Council approved a number of amendments to the Constitution, including the establishment of a new Constitution and Ethics Committee. As part of these changes, responsibility for the promotion and maintenance of high standards of conduct for members and co-opted members was transferred from the Corporate Governance Committee to that new Committee.

5. Consequential amendments were also made to the allocation of functions within Part 3 of the Constitution to remove reference to standards of conduct from the remit of the Corporate Governance Committee and to reflect the revised governance arrangements.

6. This has necessitated a review of the Corporate Governance Committee's Terms of Reference to reflect its amended responsibilities and the revised version for approval by this Committee is appended to this report.

Review of Terms of Reference

7. A review of the Committee's Terms of Reference has therefore been undertaken to give effect to these constitutional changes.

8. The principal changes proposed are:

- Removal of standards and conduct functions, reflecting their transfer to the new Constitution and Ethics Committee, which now has responsibility for oversight of the Members' Code of Conduct, associated protocols, complaints handling arrangements, and related training.
- Clarification of the Committee's core role as the Council's audit and governance committee, with a continued focus on corporate governance, risk management, financial management, and the effectiveness of internal and external audit arrangements.
- Inclusion of responsibility for approving the Annual Governance Statement, transferred from the former Constitution Committee in line with revised constitutional arrangements.
- Structural reorganisation of the Terms of Reference, grouping functions under clear thematic headings (governance and risk, financial management, audit, etc.) to improve clarity and accessibility.

9. In addition, the revised Terms of Reference clarify the Committee's role in considering the Council's Statement of Accounts and those of the Pension Fund, aligning practice with that of audit committees in comparable authorities.

10. These changes ensure a clear separation of responsibilities between governance/audit functions and member conduct matters, thereby strengthening the Council's overall governance framework and aligning responsibilities with recognised good practice.

11. The review has also taken account of emerging Government proposals to strengthen local authority standards regimes, including the potential introduction of a requirement for standalone standards committees, which further supports the separation of governance/audit functions from member conduct responsibilities.

Recommendation

12. The Committee is asked to approve the revised Terms of Reference set out in the Appendix to this report.

Equality Implications

None.

Human Rights Implications

None.

Appendix

Revised Terms of Reference

Background Papers

Report to full Council – 13th May 2026 – Annual Review of the Constitution - https://democracy.leics.gov.uk/documents/s196047/Report%20of%20the%20Constitution%20Committee%20-%20Review%20and%20Revision%20of%20the%20Constitution.pdf

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CORPORATE GOVERNANCE COMMITTEE
TERMS OF REFERENCE

1. Introduction

1.1 This document sets out the terms of reference for Leicestershire County Council's Corporate Governance Committee.

1.2 In accordance with Part 3 of the Council's Constitution, the Corporate Governance Committee shall have responsibility for all non executive functions relating to governance, risk, financial management, and the adequacy and effectiveness of the internal and external audit of the Council's services. This will include, but is not limited to the following:

2. Governance and Risk

2.1 To review and monitor the effective development and operation of corporate governance in the Council.

2.2 To review and agree the Council's Annual Governance Statement.

2.3 To review the Council's local code of corporate governance as necessary and make recommendations to the County Council to ensure that it remains relevant to the Council's work and practices.

2.4 To promote and advise on training for members and officers on matters relating to corporate governance.

2.5 To review and monitor the effective development and operation of risk management in the Council including the Council's risk management framework.

2.6 To review and make recommendations to the County Council on the Council's Risk Management Policy Statement and Strategy.

2.7 To monitor the effectiveness of the Council's arrangements for combating fraud and corruption and approve relevant policies.

2.8 To make recommendations to the County Council on any amendments required to the Financial Procedure Rules and Contract Procedure Rules set out in Parts 4F and 4G of this Constitution and to make such changes as are considered necessary to the Standard Financial Instructions.

2.9 To liaise with the Executive and other bodies as appropriate on matters of corporate governance and financial accountability.

2.10 To review and make recommendations to the County Council on the Council's Insurance Policy.

2.11 To have oversight of findings of maladministration against the Council by the Local Government Ombudsman and to agree whether to make voluntary payments or provide other benefits in such cases under section 92 of the Local Government Act 2000. *(See also the delegation to the Director of Law and Governance.)*

2.12 To consider reports from the Local Government and Social Care Ombudsman in relation to investigations into complaints made against the Council.

2.13 To consider and determine any representation seeking the removal of an LEA appointed school governor.

3. Financial Management and Accounts

3.1 To consider whether the Council's arrangements for financial management and performance monitoring are adequate and effective.

3.2 To review and make recommendations to the County Council on the Council's Annual Treasury Management Strategy Statement and Investment Strategy, and to regularly monitor performance and actions taken in respect of treasury management.

3.4 To approve the Council's statement of accounts and those relating to the Leicestershire Pension Fund and to consider whether these have been prepared in accordance with best practice and appropriate accounting policies, and whether there are any concerns that need to be brought to the attention of the Council.

3.5 To consider the external auditor's report to those charged with governance on issues arising from the audit of the accounts.

4. External Audit

4.1 To consider and comment on the Council's arrangements to select and appoint its statutory external auditor.

4.2 To consider the external auditor's annual letter, relevant reports, and the report to those charged with governance.

4.3 To monitor the Council's response to, and implementation of, external audit findings and recommendations.

5. Internal Audit

5.1 To approve the internal audit charter.

5.2 To consider and approve risk based internal audit plans.

5.3 To monitor progress against internal audit work plans through the receipt of periodic progress reports.

5.4 To consider the head of internal audit's annual report including their opinion on the overall adequacy and effectiveness of the County Council's control environment and conformance to current audit standards.

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Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 26 JUNE 2026

ANNUAL REPORT OF THE CORORATE GOVERNANCE COMMITTEE 2025-26

JOINT REPORT OF THE DIRECTOR OF CORPORATE RESOURCES AND THE ASSISTANT DIRECTOR OF LAW AND GOVERNANCE

Purpose of the Report

1. To enable the Committee to consider the draft annual report of the Corporate Governance Committee for 2025-26, prior to its submission to full Council in September.

Policy Framework and Previous Decisions

2. Guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) recommends that all local authority audit committees report annually on how it has discharged its responsibilities.

Background

3. The Corporate Governance Committee plays an important role in providing assurance of the Council's arrangements for corporate governance, internal and external audit, managing risk, maintaining an effective control environment and reporting on financial and other performance.

4. CIPFA has issued guidance to local authorities to help ensure that audit committees are operating effectively and to promote the role and purpose of the committee and to account for its performance in discharging its duties. The draft annual report for 2025-26 fulfilling these requirements is set out in the Appendix attached to this report.

5. In summary the report sets out the role of the Committee, its membership and the responsibilities delegated to it by the County Council. It also provides an overview of some of the sources of assurance the Committee has received during 2025-26 and highlights some of the key issues facing the Council from a governance and risk perspective.

Resource Implications

6. None arising from this report.

Recommendation

7. The Committee is asked to consider and approve the draft annual report of the Corporate Governance Committee 2025-26 for submission to full Council in September 2026.

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Corporate Governance Committee

Annual Report

2025 - 2026

Contents

Foreword

By Mr S. Bray CC
Chairman of the Corporate Governance Committee

Following my first year as Chairman, I am pleased to present the Annual Report of the Council's Corporate Governance Committee (the Committee) covering the five meetings in the period June 2025 to March 2026. Its purpose is to highlight the role and work of the Committee and to set out what it has focused on during the year, to ensure the Council has adequate and effective governance, risk management and internal control frameworks in place.

The Committee's role is to increase public confidence about how well the Council is run – providing independent assurance and challenge to the Cabinet over governance, risk management and control processes.

The report draws attention to some of the governance issues the Committee has considered and challenged and highlights key themes that all Members of the Council should be sighted on. Over the past twelve months the Committee has sought assurances on several issues and requested additional information and further reports from officers on specific matters where it felt this was necessary. This report provides a summary of those activities.

This year has seen a significant number of newly elected members and a change in administration for the County Council. Despite this, the scope of the work undertaken by the Committee has continued to be varied and the addition of Independent Members being appointed since 2023 has contributed to the level of discussion. I would like to thank members of the Committee for their input over the year – it has been a steep learning curve for us all, but I feel we have considered and challenged governance issues well. My thanks also go to officers who have been a great support and have aided the work of the Committee immensely.

It has been a privilege to chair the Committee this year, and I would like to add my thanks to the Vice Chairman, Mr Jewel Miah CC, for his support.

Mr S. Bray CC
Chairman of the Corporate Governance Committee

Introduction

What and who is responsible for good governance?

The Chartered Institute of Public Finance and Accountancy (CIPFA) describes the overall aim of good governance as:

"To align the authority's processes and structures with the attainment of sustainable outcomes. In practice, this means ensuring that:

- resources are directed in accordance with agreed policy and according to priorities;
- there is sound and inclusive decision making;
- there is appropriate stewardship of public assets and resources;
- there is transparency and clear accountability for the use of resources in order to achieve desired outcomes for service users and communities."
-

(CIPFA Audit Committees: Practical guidance for local authorities and police 2022 Edition)

Good governance is ultimately the responsibility of the Full Council as the governing body of Leicestershire County Council. It is responsible for ensuring that its business is conducted lawfully and to proper standards.

The Corporate Governance Committee is appointed by Full Council to support the discharge of its functions in relation to good governance. This report sets out how the Committee has discharged its role and demonstrates how it has:

- Fulfilled its responsibilities as delegated to it by Full Council (as set out in its Terms of Reference contained within the Council's Constitution);
- Complied with national guidance and best practice;
- Contributed to the strengthening of the Council's risk management, internal control and overall governance arrangements.

This report underpins the Council's Local Code of Corporate Governance and reinforces the Council's Annual Governance Statement.

The Corporate Governance Committee

Role and Responsibilities

CIPFA's position statement on audit committees and related guidance (Audit Committees – Practical Guidance for Local Authorities and Police 2022) sets out what audit committee practices and principles a local authority should adopt. It specifically sets out the purpose, model, core functions and membership of what a local authority's governance and audit committee should look like. The Council's Corporate Governance Committee is established in accordance with this Statement and Guidance.

The core functions of the Committee are set out in its terms of reference which are contained in the Council's Constitution (Part 3). In summary these are to:

- Promote and maintain high standards within the Authority in relation to the operation of the Council's Local Code of Governance.
- Ensure that an adequate risk management framework and associated control environment is in place, and to monitor the arrangements for the identification, monitoring and management of strategic and operational risks.
- Ensure that the Authority's financial and non-financial performance is properly monitored and to ensure proper oversight of the Council's financial reporting processes.
- Ensure the Council's Treasury Management arrangements are appropriate and regularly monitored.
- Monitor the adequacy and effectiveness of the Council's Internal Audit Service and the external audit of the Council's services and functions.
- Monitor the effectiveness of the Council's arrangements for combating fraud and corruption.
- Promote and maintain high standards of conduct by members and co-opted members, including advising Full Council on the adoption or revision of its Code of Conduct and monitoring and advising on the operation of its Code in light of best practice and change in the law.

The Committee also reviews the Council's Local Code of Corporate Governance and its Annual Governance Statement (AGS) making recommendations to Full Council to ensure they remain relevant to the Council's work and practices. It also considers the external audit of the Statement of Accounts (including the AGS) and those relating to the Leicestershire Pension Fund to ensure these have been prepared in accordance with best practice. The Committee also makes recommendations to Full Council on any amendments needed to the Council's Financial and Contract Procedure Rules and approves the Council's procedure for handling member conduct complaints (although from May 2026, this will be undertaken by the Council's Constitution and Ethics Committee).

The Committee reports directly to Full Council and is able to liaise with and refer matters to the Council's Cabinet and other bodies, including relevant overview and scrutiny Committees.

Officers of the County Council also play an important role in ensuring good governance. In accordance with Part 2, Articles 12.03 and 12.04 of the County Council's Constitution, the Monitoring Officer will support the Committee through contributing to the promotion and maintenance of high standards of conduct, and the Chief Financial Officer will

provide professional advice to all County Councillors and will support and advise County Councillors and officers in their respective roles.

Internal audit is an essential component of the Council's corporate governance and assurance framework. The Global Internal Audit Standards UK (public sector), implemented from 1 April 2025, require the Head of Internal Audit Service to prepare at the organisation level an overall conclusion encompassing governance, risk management and control at least annually in support of wider governance reporting, whilst being mindful of any specific sector obligations or processes. To do this, the HoIAS arranges a risk-based plan of audits. Under the Council's Constitution, this Committee is required to monitor the adequacy and effectiveness of the system of internal audit.

Membership

Mr Stuart Bray (Chair)

Mr Jewel Miah (Vice Chair)

Mr Mark Bools

Mrs Naomi Bottomley

Mr Simon Bradshaw

Mr Graham Cooke

Mr Kevin Crook (member until September 2025)

Mrs Linda Danks

Mrs Kerry Knight

Mr John McDonald

Mr Joe Orson

Mr David Page (member until January 2026)

Mr Bill Piper

Mr Joseph Boam (member since September 2025)

Mrs Rosita Page (member since January 2026)

Independence

As a Council appointed Committee, the Corporate Governance Committee is appointed in accordance with the requirement for political proportionality but, in line with CIPFA guidance and best practice, it strives for political neutrality.

In May 2025, the Council confirmed the re-appointment of Mr Gordon Grimes and the appointment of Mr John Pilgrim as two non-voting Independent Members to the Committee for a four year period. The introduction of Independent Members enhances its independence and provides added expertise to support the Committee in the discharge of its functions. Their input has been welcomed.

> "The breadth and scope of the Committee remains very wide, covering the whole range of local authority activities. At the start of the year, virtually all of the Committee members were newly appointed, with varying degrees of experience both as Committee members and members of the authority. Members provided challenge to officers and were keen to explore the governance arrangements that were in place. This has helped to develop a good range of knowledge and expertise amongst Committee members, who recognised the important role that they fulfil and sought to ensure that governance practices were robust and effective".
>
> **Mr Grimes and Mr Pilgrim**

Training

All Committee Members receive induction training before their first meeting. The Committee also then receives training on specific areas as necessary. Prior to its first meeting in June 2025, the Committee received a general training session on corporate governance issues and the functions of the Committee. The Committee has subsequently received a training session relating to the Statement of Accounts. Further training for members of the Committee will be undertaken during 2026/27, aligned to the Committee's work programme for the next municipal year.

The Committee is also advised when new guidance/best practice is produced and participates in consultations on developing policy, thus helping to shape the national picture, for example, CIPFA and the Code of Conduct.

The Committee's Activities 2025 - 26

Between June 2025 and the end of March 2026, the Committee has met 5 times and considered **36 reports.**

Leicestershire County Council continues to be committed to allowing residents full insight into its decision-making processes. **All meetings of the Corporate Governance Committee are held in public, allowing people to attend in person to view the debate.** Agendas and minutes are published on the Council's website to ensure maximum transparency. Meetings are also publicly broadcast live, and the recordings can be found on the Council's website where they are available to view in perpetuity. See the Council's YouTube channel.

Financial Management

Following concerns around the financial resilience and management of local authorities, CIPFA developed the Financial Management (FM) Code. This is designed to support good practice in financial management and help local authorities demonstrate financial sustainability. The Code builds upon the underlying principles of leadership, accountability, transparency, professional standards, assurance and sustainability, and address those aspects of an authority's operations and activities that must function effectively if financial management is to be undertaken robustly and financial sustainability is to be achieved.

The Code does not eliminate financial pressure or risk, but compliance with the Code validates an organisation's ability to identify and manage risk and plan for long term financial sustainability. Demonstrating compliance with the Code is the collective responsibility of elected members, the section 151 officer and their colleagues in the leadership team.

The Committee considered the outcome of the assessment of the Council's compliance with the Code in June 2025 and were pleased to see that the required standards had been met. The assessment identified a few areas that required improvement such as continuing to implement recommendations following the 2024 external assessment of the Internal Audit Service, and the need to consistently undertake post implementation reviews of significant capital projects to demonstrate value for money. However, overall confirmation was provided that there were no underlying problems of which the Council had not been aware. The Internal Audit Service also undertook a high-level review of the assessment and concluded that there were no other issues to report. The latest assessment of compliance with the Code is scheduled to be reported to the Committee in June 2026.

Risk Management

A key role of the Committee is to oversee arrangements for the identification, monitoring and management of strategic and operational risk within the Council. To do this it receives a regular update setting out all the corporate risks which have been identified centrally and across departments. Through robust consideration of these reports the Committee:

- Has monitored the overall risk profile of the Council on a quarterly basis, considered emerging risks and issues and noted those risks which have been added and removed from the Corporate Risk Register and the reasons for this.
- Has had the opportunity to test and challenge the scores applied to each risk and their expected direction of travel.
- Sought assurances around how risks are being managed and mitigated.
- Received the following presentations on current and emerging risks:
  - If there is a failure to restore services or maintain services in a major disruption, then the Council is at risk of not being able to deliver identified critical services
  - If there is an actual or perceived breach of procurement guidelines then there may be a challenge which results in a financial penalty
  - The strategic approach to managing the impact of growth in Leicestershire
  - The use of Artificial Intelligence technologies to include assurances on the accuracy of outputs, training plans and the use of personal data within AI, and the risks associated with this
  - The significant increase in demand for reactive highway maintenance repair work to address the highest ever levels of road defects the Environment and Transport department has seen over a winter season.

The Committee is responsible for advising the Cabinet and Full Council on its Risk Management Policy Statement and Strategy and its Insurance Policy which it reviews each year. These are then submitted as appendices to the Council's Medium Term Financial Strategy for approval. The Committee considered the 2026 Policy Statement and Strategy and the Insurance Policy and recommended these be approved without amendment.

Overall, the Committee has received a high level of assurance that the risks identified reflect the complex environment in which the Council operates. It is acknowledged that some risks will remain high (red) indefinitely, as whilst unlikely, the impact if they occurred would be substantial irrespective of the mitigation put in place. The Committee has been satisfied that risk management processes are well established within departments; departments having demonstrated when challenged the positive actions being taken to address those that affect their service area. This has also been demonstrated in the regular reviewing and changing of the register to include or remove risks on a regular basis. This view was supported by the External Auditors in their Annual Report for 2024/25 which included a section on governance arrangements including those for risk management. The Committee was pleased to hear in January 2026 that the External Auditor's findings in relation to 2024/25 were positive and no gaps in risk management had been identified, the Council having been found to have a robust approach.

Fraud and Corruption

The Committee oversees changes to the Council's Anti-Fraud and Corruption Strategy, Anti-Bribery Policy, Anti-Money Laundering Policy and the Policy for the Prevention of Facilitation of Tax Evasion. These are reviewed biennially and are programmed for next review in 2026/27.

In line with the CIPFA Code of Practice – Managing the Risk of Fraud and Corruption, the Internal Audit Service periodically reviews the Council's management of fraud risk. The Committee considered the outcome of this assessment and the corresponding risk gradings for each area identified based on the Council's overall level of exposure and national fraud intelligence received. The Committee has also received assurance regarding the controls in place to mitigate the identified risks from occurring. The Committee oversees the Council's biennial Fraud Risk Assessment (FRA). The highest scoring areas of fraud risk facing the Council, arising from the FRA, typically mirror those reported nationally by other councils.

An Annual Counter Fraud Report is presented to the Committee providing details of counter fraud activity within the Council in the previous 12 month period. Through this oversight, the Committee provides good 'tone at the top' in support of the Council's overall zero-tolerance stance on fraud and other financial irregularity.

The Committee has been assured that raising fraud awareness remains a priority, especially regarding common frauds or emerging frauds which are highlighted through several channels including mandatory e-learning and information shared on the Council's intranet through targeted messages. Fraud intelligence tells us that the common fraud risks at present include mandate fraud, senior officer impersonation fraud, QR-code fraud, insider fraud, cybercrime (e.g. malware, e-mail hacking, ransomware), financial grant support schemes, procurement fraud and Adult Social Care fraud (e.g. direct payments misuse or concealment of assets in the financial assessment process).

Annual Governance Statement (AGS)

Regulations 6(1)(a) and (b) of the Accounts and Audit Regulations 2015 require each English local authority to conduct a review, at least once a year, of the effectiveness of its system of internal control and approve an annual governance statement (AGS). The AGS is an important requirement which enhances public reporting of governance matters. In essence, it is an accountability statement from each local government body to stakeholders on how well it has delivered on governance over the course of the previous year.

To ensure that the AGS reasonably reflects the Committee's knowledge and experience of the Council's governance and control framework, and that the conclusions and future challenges are appropriate, the 'Delivering Good Governance in Local Government Framework' by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives and Senior Managers (SOLACE) requires high level input from the Committee into the AGS.

A provisional draft AGS for 2024/25 was considered by the Committee in June 2025; this determined that there were two significant governance issues that required reporting, namely improving the completion rates of new Education Health and Care Plans (EHCPs) and reducing the number of contract exceptions and extensions that are approved. The Committee agreed that the provisional AGS was consistent with its own perspective on internal control within the Authority. Members received a final draft prior to it being published with the draft Statement of Accounts for 2024-25. However, within the County Council's Constitution (updated December 2024), Part 3 – Responsibility for Functions, Section B: Responsibility for "County Council" functions, the Constitution Committee has a function to approve the final Annual Governance Statement. This occurred at its meeting on 24 November 2025, prior to sign off by the Chief Executive and Leader of the Council.

Following the Council's Annual meeting on 13 May 2026, responsibility for the approval of the draft and final Annual Governance Statement will fall within the remit of the Corporate Governance Committee.

Internal Audit

The Committee works closely with the Council's Internal Audit Service, both overseeing its independence and effectiveness, and receiving assurance from the Service as to the adequacy and effectiveness of the Council's internal control environment.

The Committee has received regular reports from the Head of Internal Audit Service (HoIAS) which have provided updates on progress against the 2024/25 and 2025/26 Internal Audit Plans. The HoIAS has attended all Committee meetings to answer the Committee's questions, and this has enabled the Committee to discuss key findings and seek assurances where appropriate, particularly in relation to the implementation of high importance recommendations by departments following a specific audit.

The internal audit function for East Midlands Shared Service (EMSS) is provided by Nottingham City Council Internal Audit (NCCIA). During the period of this report, in September 2025, the Committee received a report from the Interim Team Leader of Nottingham City Internal Audit which presented the Internal Audit annual report and opinion on EMSS audits for the year 2024-25 along with planned internal audit work for 2025-26. For the three areas audited, a moderate opinion had been given which was considered to be a good conclusion. Members raised concern around the overpayment of salaries; assurance was provided that this was not the fault of EMSS and the majority of issues lay with Nottingham City Council. Leicestershire's position was considerably better with overpayments since April 2025 being less than 0.1% of the Council's payroll and late declarations just over 3%.

In 2023, the Committee supported proposals to undertake an external assessment of the Council's Internal Audit Service, which is required to be undertaken every 5 years in line with Public Sector Internal Audit Standards. An independent external quality assessment review of the Council's Internal Audit Service was undertaken and the outcome (top rating but with some suggested improvements) was reported in May 2024. Members welcomed the positive feedback received.

The Committee also considered changes to internal audit standards, as the Global Internal Audit Standards UK (public sector) along with an Application Note and the Code of Practice for the Governance of Internal Audit in UK local government were all introduced during the year. A revised Internal Audit Charter and a new Internal Audit Strategy were reported. The Strategy has been developed to cover the period January 2026 to 31 March 2028; this period was deliberate because of the unknown outcomes of the pending local government reorganisation.

The Committee had previously been informed of two major audits being completed around Adults and Children's direct payments systems. However, implementation of the recommendations arising from the audits had been delayed due to resources having to be diverted towards a national issue with a prepaid card provider. It was pleasing to note that this issue had now largely been resolved and good progress was being made with the recommendations.

In June 2025, the Committee received the HoIAS's Annual Report for 2024/25 which set out his opinion on the overall adequacy and effectiveness of the Council's control environment. This year, the HoIAS's opinion was that "***reasonable assurance*** *had been given that the Council's control environment has remained adequate and effective."* The Committee was pleased to hear that assurance had been supplemented by good relationships with the Corporate Management Team and senior management across departments and transparency in their reporting of significant governance issues as detailed in the Annual Governance Statement, as well as by providing detailed updates to risk positions in the Corporate Risk Register.

External Audit

The Committee plays a significant role in overseeing the Council's and Pension Fund's relationship with its external auditors (Grant Thornton LLP) and takes an active role in reviewing the External Audit Plan, progress reports and the Annual Audit Findings report in relation to the County Council and Pension Funds financial statements (Statement of Accounts), and the Auditor's Annual Report setting out the findings of the Value for Money review.

External Auditors are required to be satisfied about the Council's arrangements to secure value for money and as part of their work, consider:

- Financial Sustainability – How the Council plans and manages its resources to ensure it can continue to deliver its services.
- Governance – How the Council ensures that it makes informed decisions and properly manages its risks.
- Improving economy, efficiency and effectiveness – How the Council uses information about its costs and performance to improve how it manages and delivers its services.

During the year the Committee has received regular reports and verbal updates from its External Auditor's setting out progress against the 2024/25 external audit plan.

Representatives from Grant Thornton attended the Committee meeting in November 2025 to present their Annual Report on the Council for 2024/25. Overall, the report was positive and concluded that the Council has appropriate financial management, appropriate governance arrangements in place and appropriate performance measurement, partnership working and procurement arrangements. However, it recognised that, like many other local authorities, Leicestershire faced significant financial challenges due to the insufficient grant for SEND provision. One significant weakness relating to this, and two improvement recommendations, had been made in the report.

At the meeting on 23 January 2026, the External Auditor reported that the audit of the 2024/25 Statement of Accounts had now been completed. The Statement of Accounts were signed off on 29 January 2026 with an unmodified opinion.

Treasury Management

It is the responsibility of this Committee to ensure that the Council's Treasury Management arrangements are appropriate and regularly monitored. The Committee therefore considered and recommended for approval to Full Council the Annual Treasury Management Strategy Statement for 2026/27 which forms part of the Council's Medium Term Financial Strategy. It has also received quarterly progress reports which advise of significant events both locally and nationally which affect the Council's treasury management activities. The Committee also seeks assurances that those with responsibility for treasury management operate within the approved polices when executing transactions.

The Committee is pleased to report that throughout the year it has operated within the treasury and prudential indicators set out in the Council's Strategy during 2025/26, except for the actual financing costs as a percentage of net revenue stream – which was due to the Council taking favourable options to repay external debt early, premiums payable but overall reducing future interest costs. During 2025/26, there were no loans to counterparties that breached the authorised lending list. In June 2025, the Committee considered the annual report for 2024/25 which set out the performance achieved in the year and noted that the investment loan portfolio had varied between £408m and £501m, but had outperformed both the average base rate and the average SONIA in four of the last five years.

Internal Controls

The Committee has responsibility for monitoring the effectiveness of the Council's internal control systems and receives annual assurance reports in relation to a wide range of Council operations. This year the Committee has:

- Received assurance regarding the use by the Council of the **Regulation of Investigatory Powers Act 2016**. The Committee sought and received assurance that there had been no significant legal challenges to the Council's exercise of these powers through the Magistrates Court and that robust internal systems were in place before legal approval was obtained.

- Heard about the Council's **Resilience and Business Continuity** activities during the year. The Committee received assurance that, following a cyber attack on the City Council, steps had been taken to ensure everything was in place to assist with disaster recovery and a range of preventative measures had been implemented, including providing advice to staff, mandatory annual training and a number of infrastructure controls. The Committee was also informed that regular business continuity testing within teams would be mandatory.

- Received a summary of the two referrals raised under the Council's **Whistleblowing Policy** during 2024/25 and the Council's response to the issues. A number of updates to the current policy were also presented to the Committee.

- Considered and endorsed forthcoming changes to the **Contract Procedure Rules**. Once approved by the County Council on 18 February 2026, these changes would come into effect immediately.

- Considered and approved the revised **Risk Management Policy Statement and Strategy and Insurance Policy** and noted the work planned and undertaken by the **Property and Occupants Risk Management Group**.

- Received the **Local Government and Social Care Ombudsman annual review** letter for the Authority for 2024/25 which provided valuable insight into the Council's approach to complaints and considered changes to the Council's processes. There has been an increase in the number of complaints and enquiries received by the LGSCO. Of the 122 cases throughout the year, 36 were referred back for local resolution and 40 were deemed appropriate to be investigated. 33 cases were upheld, which is an increase on the previous year. No public reports against the Council were produced. It is not surprising that the largest number of complaints received related to SEN Assessments and SEN and School Transport and the Committee therefore highlighted the report to the relevant Overview and Scrutiny Committees. It was pleasing to note that the Council's 'Satisfactory Remedy Rate' improved significantly in 2024/25.

- Considered the **Annual Report on the Operation of the Members Code of Conduct**. During the period 1 October 2024 – 1 October 2025, the

Monitoring Officer had received 34 complaints under the Members' Code of Conduct, with the focus of complaints being around engagement with members of the public and social media comments. The Committee noted that social media training was part of the induction process for members, but consideration would be given to undertaking this annually.

- The Ministry of Housing, Communities and Local Government had undertaken a **consultation on strengthening standards**. Whilst it was unclear when any reforms would be introduced, further updates would be presented to the Committee when appropriate.

- Considered and approved a **revised Modern Slavery and Human Trafficking Statement**. This would undergo an annual review to ensure its continued relevance and any significant changes would be presented to the Committee.

- Considered and agreed a **policy for Disclosure and Barring Service (DBS) Checks for elected members**. This reflected a slight revision to the existing policy and had been supported by all Group Leaders.

Looking Ahead for 2026/27

For the coming year the Committee will continue to receive regular updates and annual assurance reports. It will continue to provide the usual level of robust challenge to corporate governance and audit practices and procedures to ensure the Council's arrangements are up to date and fit for purpose and that these are communicated and properly complied with. It will also continue to liaise with the Council's external auditors on areas for improvement.

Rising demand for Council services at a time of reduced resources continue to give rise to significant challenges. The Committee will therefore be vigilant in monitoring the risks arising from these challenges and the mitigations put in place to address them.

The Committee will continue to monitor emerging risks, in particular local government reorganisation.