Meeting:	**Corporate Governance Committee**
Date/Time:	**Friday, 18 September 2026 at 10.00 am**
Location:	**County Hall, Glenfield**
Contact:	**Mrs. G. De Gioia (tel: 0116 305 2583)**
Email:	**gemma.degioia@leics.gov.uk**

Membership

Mr. S. L. Bray CC (Chairman)

Mr. J. Boam CC	Mr. J. Melen CC
Mr. M. Bools CC	Mr. J. Miah CC
Mrs. N. Bottomley CC	Mr. J. T. Orson CC
Mr. G. Cooke CC	Mrs. R. Page CC
Mr. G. Grimes	Mr. J. Pilgrim
Mrs. K. Knight CC	Mr. B. Piper CC
Mr. J. McDonald CC	Mr. C. Whitford CC

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AGENDA

Item		Report by	
1.	Minutes of the meeting held on 26 June 2026.		(Pages 3 - 12)
2.	Question Time.		

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

4. To advise of any other items which the Chairman has decided to take as urgent elsewhere on the agenda.

5. Declarations of interest in respect of items on the agenda.

6. Presentation of Petitions under Standing Order 33.

7.	External Audit of the 2025/26 Financial Statements Audit Progress Report.	Director of Corporate Resources	(Pages 13 - 44)
8.	Quarterly Treasury Management Report.	Director of Corporate Resources	(Pages 45 - 60)
9.	Risk Management Update.	Director of Corporate Resources	(Pages 61 - 78)
10.	Insurance Service - Annual Report 2025/26.	Director of Corporate Resources	(Pages 79 - 86)
11.	Best Value Duty - Consultation on Draft Revised Statutory Guidance (2026).	Director of Corporate Resources and Assistant Director Law and Governance	(Pages 87 - 104)

12. Date of next meeting.

The next meeting of the Corporate Governance Committee will be held on Friday 27 November 2026 at 10am.

Meetings of the Committee in 2027 are scheduled to take place at 10am on the following dates:

22 January 2027
22 March 2027
25 June 2027
10 September 2027
26 November 2027

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

Leicestershire County Council

Minutes of a meeting of the Corporate Governance Committee held at County Hall, Glenfield on Friday, 26 June 2026.

PRESENT

Mr. J. Boam CC	Mr. J. Miah CC
Mr. M. Bools CC	Mr. P. Morris CC
Mrs. N. Bottomley CC	Mr. J. T. Orson CC
Mr. S. L. Bray CC	Mrs. R. Page CC
Mr. G. Grimes	Mr J. Poland CC
Mrs. K. Knight CC	Mr. C. Whitford CC

75. Election of Chairman.

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

The motion was put and carried unanimously.

There being no other nominations, it was declared that Mr. S. Bray CC be elected as Chairman of the Corporate Governance Committee.

RESOLVED:

That Mr. S. L. Bray CC be elected Chairman of the Corporate Governance Committee until the date of the Annual Meeting of the County Council in 2027.

Mr. S. L. Bray CC – in the Chair

76. Election of Deputy Chairman.

It was proposed and seconded "that Mrs K. Knight CC be elected as Deputy Chairman".

The motion was put and carried unanimously.

There being no other nominations, it was declared that Mrs. K. Knight CC be elected as Deputy Chairman of the Corporate Governance Committee.

RESOLVED:

That Mrs. K. Knight CC be elected Deputy Chairman of the Corporate Governance Committee until the date of the Annual Meeting of the County Council in 2027.

77. Minutes.

The minutes of the meeting held on 27 March 2026 were taken as read, confirmed and signed.

78. Question Time.

It was reported that the Chief Executive had not received any questions.

79. 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).

80. Urgent Items.

There were no urgent items for consideration.

81. 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.

Mr. G. Grimes (Independent Member) declared an other registrable interest in Agenda Item 10 in respect of the work he undertook with schools in relation to budget deficits.

82. Presentation of Petitions under Standing Order 33.

There were no petitions.

83. External Audit of the 2025/26 Financial Statements - Audit Progress Report.

The Committee considered a report of the Director of Corporate Resources which presented the external auditor's progress report on the audit of the County Council and the Pension Fund 2025/26 financial statements. A copy of the report, marked 'Agenda Item 9', is filed with these minutes.

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

The draft 2025/25 financial statements were almost complete and would be published on the Council's website by the statutory deadline of 30 June 2026. As set out in the Audit Plans, interim audits had taken place; good progress had been made and the final audits would begin as planned. The audit was scheduled to be completed by the end of November 2026 and reported to the Corporate Governance Committee at that time, along with the Auditor's report on the Value for Money arrangements of the Council.

RESOLVED:

That the progress of the External Audit of the financial statements be noted.

84. 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 Children and Family Services on the risk relating to 'if maintained primary schools submit significant licensed deficit budgets over time creating a financial burden for the Council, then individual schools may fail'. A copy of the presentation is filed with these minutes.

Arising from the discussion, the following points were made:

<u>Presentation</u>

i) It was proposed that finance experts would be commissioned to look at all local authority maintained school budgets, and it was confirmed that these were external to the local authority. The Department for Education used these experts to intervene in local areas where there was concern around the financial viability of schools. In response to a query around what communication had taken place with school communities about this work, the Director of Children and Family Services stated that a meeting had taken place with local authority maintained schools at the end of the last summer term to discuss the issues being faced. It had been made clear that a school reorganisation programme would be developed and a range of communication had been delivered over the course of the academic year. More recently, the Director of Children and Family Services had attended a meeting of the Leicestershire Primary Head Teachers to provide an update on the arrangements going forward and what would be taking place in the autumn in terms of the outcome from budget submissions. Assurance was given that work had taken place in the established framework around the submission of budgets. However, schools had been asked to apply for a licensed deficit and provide a clear action plan about how they intended to mitigate this and bring the budget back into surplus.

ii) In relation to Church of England (CoE) schools, it was queried whether consideration had been given to academisation into DBE Multi-Academy Trusts (MATs), or whether local authorities could set up their own MATs. The Director stated that it would be for the governing boards to decide whether they wanted to join a particular MAT. The CoE had published clear criteria about its expectations of CoE schools. The local authority would explore a range of options with schools around whether they were to be academised or not. One issue was the viability, pupil numbers and forecasts as academisation alone would not resolve this. The local authority already provided services and functions to schools as a MAT would, and the Director commented that there would be little to gain by formalising that arrangement, and it could incur additional unnecessary costs. The maintained schools were keen to remain with the local authority.

iii) A member commented that local authority maintained schools offered something unique in local communities and teachers did not always like the way that MATs operated. However, where a school used local authority services, there was often a lack of consistency which meant that relationships were lost. It was appreciated that a number of issues were outside the control of local schools, but it was queried how the local authority could improve its auxiliary services to support schools to run more effectively. As part of the school reorganisation programme, the County Council had invested £1m in enhancing the support provided to schools across a range of areas. This was to help bring schools back to a surplus position.

iv) A query was raised around how much future pupil numbers were taken into account, in particular where the local authority knew that a large housing development was due to be built in an area where there was reducing pupil numbers. The Director stated that school place planning considered a range of factors when undertaking a forecast and this was conducted over an extensive period. The birth rate was taken into account and was mapped onto known housing developments. The team then planned when housing developments were going to commence and considered phasing any growth of new schools and new places in accordance with demand, so that existing schools were not undermined. On occasion, the local authority would sustain a school that was in deficit to wait for a development. However, the revenue deficit grew quickly with a school when it had low pupil numbers. It was also the case that, with older schools, the building stock was reaching the end of its natural life and therefore needed to be made fit for purpose. In most cases, it was preferable to have a new purpose built school on a new development.

v) In response to a query around the risks relating to developments, the Director stated that the greatest risk was cost inflation. If there was a historic S106 agreement, this would not meet the cost of providing new schools because of the more recent inflationary costs and the long lead-in time to the development taking place. To mitigate this, the risk was passed back to developers, where possible, by negotiating with them to build the school so they had to bear the risk and delivery costs. The other risk was the lead in time to developments, which could change significantly. A member raised concern that a Community Infrastructure Levy (CIL) was not enough to mitigate all of the infrastructure costs, and questioned what priority was given to providing new schools and school places. The Director commented that it was for the local planning area and County Council to push its own priorities and ensure that there was adequate funding.

vi) When bidding for a S106 agreement, a specific amount was usually stated, but a member questioned whether this took into account inflation. The Director stated that this was one of the reasons that developers were encouraged to build their own schools as it mitigated this completely. Some historical S106 agreements did not take this into account, but modern agreements did consider this as a factor.

vii) Particular reference was made to Diseworth CoE Primary School as a case example. The County Council had been working with governors to look at mitigation measures that could be put into place. However, it had become clear that the school would not come back into balance over a five year period and pupil numbers would reduce further during that period. The school met four of the criteria for reorganisation and the governors had recently had an extraordinary meeting where it had been agreed that the school wasn’t financially viable going forward despite any measures that could be put in place. A formal closure proposal had been submitted to the Council and a statutory closure process would be undertaken. Work would take place with families who would like to have an alternative school place in other local schools as there were surplus places.

Main Report

viii) Updates to the current risks on the Corporate Risk Register were presented. The Committee was informed that the risk relating to the long-term financial impact of asylum seekers had been removed. Emerging risks continued to relate to the Iran war and Local Government Reorganisation.

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 updates on the Iran war and Local Government Reorganisation be noted.

85. Annual Treasury Management Report 2025/26.

The Committee considered a report of the Director of Corporate Resources which advised 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. A copy of the report marked 'Agenda Item 11' is filed with these minutes.

Arising from the discussion, the following points were raised:

i) A member queried the term 'under borrowed', to which the Director of Corporate Resources explained that the Council's requirement for borrowing was called the capital financing requirement. This was the total amount of borrowing that the Council required to fund its historic capital programme. The Council then had to decide, looking across all its balances, how much it needed to borrow to fund that requirement. This could be borrowed externally through loans, or from itself (internal borrowing). Essentially, the Council was using its investments to fund borrowing rather than going to the external market.

ii) A member commented that the fiscal rules in the appendix to the report suggested that the bank rate would ease and queried the level of confidence that this would be the case. The Director stated that although inflation was high, it was set to ease. Gilt yields moved around and were dependent on confidence. There was a degree of uncertainty which would continue to be monitored.

iii) It was confirmed that, since May 2025, the Council had repaid £70.9m of external debt, and had reduced the capital programme funding shortfall from £84m to £65m.

iv) It was questioned whether the early debt repayments, including a recent repayment of £26.9m, would deliver a net financial saving for Leicestershire taxpayers, specifically after taking into account both the interest saved from repaying the debt early and the investment income that the Council would have otherwise earned on those funds, and whether the overall financial position was a net benefit to the taxpayer. The Director stated that the primary purpose of repaying debt early was to reduce the revenue implications of capital financing costs.

v) A member acknowledged that there was a cost implication to the Council to repay debt early as it had cost 3-4 years worth of interest payments. In view of the forthcoming Local Government Reorganisation, it was stated that there would be little benefit to the current authority as it would not exist in 2028.

RESOLVED:

a) That the contents of the Annual Report for 2025/26 be noted;

b) That the Annual Report will be submitted to the Cabinet for consideration at its meeting on 21 July 2026.

86. <u>CIPFA Financial Management Code 2026/27.</u>

The Committee considered a report of the Director of Corporate Resources which informed of the Council's compliance with the Chartered Institute of Public Finance and Accountancy (CIPFA) Financial Management Code for the financial year 2026/27. A copy of the report marked 'Agenda Item 12' is filed with these minutes.

RESOLVED:

That the report be noted.

87. <u>Head of Internal Audit Service - Annual Report 2025/26.</u>

The Committee considered a report of the Director of Corporate Resources which presented the Head of Internal Audit Service Annual Report 2025/26. A copy of the report marked 'Agenda Item 13' is filed with these minutes.

The Head of Internal Audit Service had delivered an overall conclusion of 'Reasonable Assurance' that the Council's governance, risk management and control had remained overall adequate and effective during 2025/26.

Assurance had also been provided by Nottingham City Council Internal Audit, which had completed all of its planned audits of East Midlands Shared Services' (EMSS) main financial systems and had given an overall very positive conclusion that the fundamental systems and controls within EMSS were sound, although it was noted that work was still required in specific areas.

A member questioned why the Internal Audit function received a "Generally Conforms" assessment against internal audit standards and how improvement needs were judged as either incremental or more fundamental. The Head of Internal Audit Service explained the process involved in populating an extensive formal conformance assessment model. He further explained that most of the improvement actions identified were relatively small refinements rather than major weaknesses. However, as an example, the new standards required internal auditors to demonstrate root cause analysis more clearly. While root cause analysis was not new to internal auditing, the standards now placed greater emphasis on evidencing and demonstrating it.

RESOLVED:

a) That the Internal Audit Service annual report for 2025/26 be noted;

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

88. <u>Local Code of Corporate Governance.</u>

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

The Committee considered a joint report of the Director of Corporate Resources and the Assistant Director of Law and Governance which sought support for the revised Local Code of Corporate Governance. A copy of the report marked ‘Agenda Item 15’ is filed with these minutes.

RESOLVED:

That it be confirmed that 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.

89. <u>Provisional Draft Annual Governance Statement 2025/26.</u>

The Committee considered a joint report of the Director of Corporate Resources and the Assistant Director of Law and Governance which presented the provisional draft Annual Governance Statement (AGS) prior to it being published on the Council’s website by 30 June 2026 alongside the draft County Council Statement of Accounts for 2025/26. The report also provided an outline of the background and approach taken to produce the County Council’s 2025/26 provisional draft Annual Governance Statement. A copy of the report marked ‘Agenda Item 14’ is filed with these minutes.

During the review of the provisional draft AGS, two new significant governance issues were identified that required reporting – Members Code of Conduct issues and the Deficit Schools Balance.

The Council was satisfied that appropriate governance arrangements were in place and continued to be regarded as fit for purpose. Over the coming year, it was proposed to take steps to address any matters to further enhance governance arrangements, and the Council was satisfied that these steps would address the need for any developments that had been identified in the review of effectiveness and would monitor their implementation and operation as part of the next annual review.

RESOLVED:

a) That the provisional draft Annual Governance Statement (AGS) 2025/26 be noted and that it is consistent with the Committee’s own perspective on internal control within the Authority;

b) That it be noted that there are two significant governance issues reported in the provisional draft AGS 2025/26;

c) That it be noted 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.

90. Annual Counter Fraud Report 2025/26.

The Committee considered a report of the Director of Corporate Resources which detailed the counter fraud activities that had taken place across the Council during the 2025/26 financial year. A copy of the report marked 'Agenda Item 16' is filed with these minutes.

In response to a query, the Director of Corporate Resources stated that there had been 17 new investigations in the last year. However, not all of these had been considered to be fraud, and had been dealt with internally. Examples were given of the types of investigations. Assurance was given that the Council had a zero tolerance approach to fraud, corruption and other financial irregularities.

RESOLVED:

That the report be noted.

91. Resilience and Business Continuity Annual Update.

The Committee considered a report of the Director of Public Health, Communities, Law and Governance which provided 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 the end of March 2026. A copy of the report marked 'Agenda Item 17' is filed with these minutes.

Arising from the discussion, the following points were raised:

i) In response to a query around training, the Director stated that officers were not given any specific details in advance around the role they would be expected to take. It was also noted that all training and attendance at an incident was in addition to the individual's usual role. Any officer above Grade 15 was included on the senior manager on-call rota, which meant that, in the event of an incident, they would be the responsible officer during the time they were on call (usually for a week at a time). Officers on Grades 11 – 15 could volunteer to get involved, and a number of Heads of Service were involved at a more tactical level.

ii) A member questioned whether some of the learning should be shared to deal with the challenges around Local Government Reorganisation. In response, the Director stated that it was necessary to give assurance that all services were safe and legal. Arrangements were in place to cover all ten local authorities across Leicester, Leicestershire and Rutland and assurance was given that there was robustness in the system to manage unknown risks.

RESOLVED:

That the report be noted.

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

The Committee considered a joint report of the Director of Corporate Resources and the Assistant Director of Law and Governance which presented details on the operation of the Contract Procedure Rules between 1 April 2025 and 31 March 2026. A copy of the report marked ‘Agenda Item 18’ is filed with these minutes.

Arising from the discussion, the following points were raised:

i) It was considered positive that the number of approved exceptions had reduced. However, a member queried why there had been an increase in the number of approved contract extensions/modifications. The Director of Corporate Resources stated that extensions were dependent on individual contracts and took into account the full contract value. It was also noted that the figure was not necessarily fully reflective as those contracts which had been modified were of a higher value. Assurance was given that all modifications and extensions to contracts were scrutinised, and it was anticipated that the number would increase further as a result of Local Government Reorganisation. Consideration was being given to introducing clauses in contracts to allow for break points.

ii) A member questioned whether clawbacks were available should a provider not be performing well. The Director stated that all contracts contained Key Performance Indicators and specific elements that needed to be complied with. Mechanisms were in place to manage performance and for any contracts that were valued over £5m, the performance was published.

RESOLVED:

That the report on the operation of the Contract Procedure Rules between 1 April 2025 and 31 March 2026 be noted.

93. Terms of Reference.

The Committee considered a joint report of the Assistant Director of Law and Governance and the Director of Corporate Resources which presented the revised Terms of Reference for the Corporate Governance Committee. A copy of the report marked ‘Agenda Item 19’ is filed with these minutes.

RESOLVED:

That the revised Terms of Reference be approved.

94. Annual Report of the Corporate Governance Committee 2025/26.

The Committee considered a joint report of the Director of Corporate Resources and the Assistant Director of Law and Governance which presented the draft annual report of the Corporate Governance Committee for 2025/26, prior to its submission to Full Council in September. A copy of the report marked ‘Agenda Item 20’ is filed with these minutes.

RESOLVED:

That the draft annual report of the Corporate Governance Committee 2025/26 be approved for submission to Full Council in September 2026.

95. Date of next meeting.

RESOLVED:

That the next meeting of the Committee be held on Friday 18 September 2026 at 10.00am.

10.00 am - 12.05 pm CHAIRMAN
26 June 2026

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 18 SEPTEMBER 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 external 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 and the Pension Fund 2025/26 financial statements and reporting their opinion to those charged with governance. The external audit also includes the annual Value for Money Review.

3. The External Auditor presented the 2025/26 Audit Plans to the Committee in March 2026. These included planned completion of the audits by the end of November 2026.

4. A progress update provided by the External Auditor was presented to the Committee in June 2026. No issues were reported with progress to date.

5. A further progress report to the end of August 2026 is attached as appendix A and B. Representatives from Grant Thornton UK LLP will attend the Committee meeting to provide the update and answer any questions.

6. The draft 2025/26 financial statements have been completed and were published on the Council’s website by the 30 June 2026 statutory deadline. A copy can be viewed via the following link: https://www.leicestershire.gov.uk/about-the-council/council-spending/payments-and-accounts/statement-of-accounts

7. The Council and the Pension Fund are up to date with their audited financial statements. The 2024/25 financial statements were signed on time 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.

8. Following delays nationally with audited local authority accounts, the Government has introduced statutory backstop dates by when the financial statements must be audited. For the 2025/26 financial statements the deadline is the 31 January 2027. The deadline then moves forward to the end of November in each year for the 2026/27 and 2027/28 financial statements.

External Audit Progress Reports

Leicestershire County Council (Appendix A)

9. The external audit of the financial statements is in progress with audit fieldwork and substantive testing underway. It is still relatively early in the process so there are no detailed audit findings reported at this stage.

10. Following publication of the Council's draft financial statements at the end of June, the auditor has reviewed their risk assessment and materiality levels for the Council and has concluded that no changes need to be made to those reported in the Audit Plan.

11. During July and August, the Council has provided information and working papers supporting the financial statements to the external audit team. From this year, and in response to the earlier dates for audited financial statements, the External Auditor has introduced a series of key performance indicators that track progress during the audit. This is to enable progress to be measured and communicated more clearly during the audit and to identify areas for improvement. These are shown on pages 7 and 8 of the auditors' report, followed by early sample selection progress reported on pages 9, 10 and 11. This shows that some requests have taken slightly longer than requested and some have been submitted ahead of the required dates. However, most are on target and any issues have been worked through constructively between the teams. Further discussion has taken place with the auditors to understand how processes and communication can be improved for the remainder of the audit period.

12. Based on progress to date, the External Auditor has reported that they expect to be able to report their final opinion to the Committee as planned at the end of November 2026.

13. 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.

14. The auditor's VfM is underway with the final report on target to be reported to the Committee in November 2026.

15. The materiality level for the audit opinion for the Council is £22m with a separate limit of £27,000 applying to the senior officers' remuneration note to the accounts. A triviality limit for the financial statements has been set at £1m in line with National Audit Office (NAO) guidance.

16. The audit fee for the 2025/26 external audit is £289,960 in line with the national scale fee set by Public Sector Auditor Appointments (PSAA).

Sector Update

17. This section of the auditor's report provides updates and further reading for members on several different areas, including local government reorganisation, adult and children's social care, the annual governance statement and a best value consultation.

Pension Fund (Appendix B)

18. The Pension Fund audit started in late June/ early July as planned. Good progress has been made and the audit is nearing completion with only a small number of procedures remaining. The External Auditor reports that as yet there are no matters of which that they are currently aware that would require modification of the audit opinion or material changes to the financial statements.

19. One immaterial item has been identified relating to an under estimation of the valuation of hard to value assets, those meeting the level 3 valuation hierarchy. The underestimate totals £5.8m which increases by a further £1.1m when extrapolated for all relevant investments. Level 3 investments include unquoted private equity, private debt and pooled investments, where the year-end valuations are not available at the time the financial statements are prepared. Overall, this is not material and no adjustment to the Penson Fund financial statements is required.

20. The headline materiality level for the audit opinion for the Pension Fund is £93.6m, which equates to 1.4% of gross investment assets as at 31 March 2025. Separate materiality limits of £24m relate to benefits payable and £30m to contributions received. Triviality limits have been set at £4.7m for headline materiality and £1.2m for benefits and contributions.

21. The main fee for the 2025/26 external audit for the Pension Fund is £104,390 in line with the scale fee set by PSAA. There are additional charges for IAS19 assurance letters for employer Fund external auditors estimated to be £1,100 and £10,000 for the 2025 triennial valuation testing work, giving an overall 2025/26 audit fee of £115,490.

22. The auditor anticipates completing the audit opinion by the end of November 2026.

Recommendations

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

Background papers

24. Report to the Corporate Governance Committee – 26 June 2026: External Audit Progress Report 2025/26 (County Council and Pension Fund)
https://democracy.leics.gov.uk/ieListDocuments.aspx?CId=434&MId=8462&Ver=4

25. 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

26. 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

27. 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

28. None.

Equality and Human Rights Implications

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

Appendices

Appendix A – Audit Progress Report 2025/26 (LCC - September 2026).
Appendix B - Audit Progress Report 2025/26 (Pension Fund - September 2026).

Officers to Contact

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Grant Thornton

Leicestershire County Council

2025-26 Audit

Audit progress report and sector update

Written 9 September 2026

Agenda

Audit Progress Report

Introduction

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.

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Overview and status of the audit

Financial Statements Audit

The planning and risk assessment phase of our 2025/26 audit was undertaken between February and April 2026 and the Audit Plan was formally presented to the Corporate Governance Committee on 27 March 2026.

The Authority published its financial statements on 30 June 2026, in line with the national deadline set out in the Accounts and Audit Regulations 2015. We acknowledge the efforts made by the Authority's staff to ensure that this timetable was met. Upon receipt of the draft financial statements:

- We have reviewed our risk assessment and confirm there are no changes to the significant risks as reported in our Audit Plan.
- We considered updating our materiality thresholds. We have determined that it is appropriate to maintain these thresholds at the levels set out in our Audit Plan.

The final accounts phase of the audit commenced at the end of August as planned. Given the early stage of the fieldwork there are no audit findings to share with the Committee.

Key performance indicators (KPI's)

Prior to the commencement of the final accounts audit, on 12 May 2026, we shared a suite of indicators with management. We are monitoring these for the final accounts audit, and have not retrospectively applied them to the planning and interim visits. These measures provide a clear and consistent basis for tracking progress, identifying emerging issues and delays, and supporting timely action by both the Authority and the audit team.

Full details of metrics and their assessment to date are included in pages 7 and 8.

In summary,

- the Authority has provided working papers to support its financial statements at the agreed timelines. These working papers are of acceptable quality.
- Initial working papers supporting receivables and payables balances were not in the required format to enable sample selection to take place. This resulted in delays to sample selection and additional resource was allocated to the audit to ensure timescales for sharing samples and audit timelines were adhered to.

In addition to the KPI's shared, as agreed with management, we shared a summary of early sample selection areas. Full details are provided on pages 9 to 11. In summary;

- All samples as agreed were shared with the Authority, there were revisions in the timeline for receivables and payables as working papers were returned to the finance team. All samples were however shared by the end of July.
- Not all sample evidence has been returned by due date, in particular grant income samples and payables samples.
- Evidence provided across a number of early sample areas is either partially provided or not in line with audit request. This generates additional queries and time taken to conclude sample testing. It is recommended the finance team enhance its quality control procedures before evidence is provided to the audit team.

Overview and status of the audit (continued)

We continue to maintain positive and constructive working relationships with management and the finance team. The team has responded proactively to matters affecting audit progress and has worked closely with the audit team to address issues, support their resolution, and facilitate continued progress across key areas.

Based on progress to date, we are satisfied that the original timetable remains achievable. We expect to present our Audit Findings Report to the Corporate Governance Committee on 27th November 2026, with the intention of signing the audit opinion shortly thereafter and by the end of November.

Value for Money

We have commenced our work on the Authority's value for money arrangements. We have held discussions with key senior officers throughout the year and have meetings scheduled with other key officers relevant to this review over the coming weeks .

Our draft Auditor's Annual Report will be shared and discussed with management before finalisation and presentation to the Corporate Governance Committee on 27th November 2026.

Audit Fees

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

These fees are £289,960 for the Authority audit. 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. Any additional fees required due to poor quality working papers or delays in response will be discussed and agreed with management and PSAA.

Events

We provide a range of workshops and network events.

On 2nd July 2026, we hosted a webinar on how the local government Audit Committee functions within a wider governance landscape. Insights from our webinar can be found here: Supporting Effective Audit Committees in a Changing Local Government Landscape | Grant Thornton.

On 25th September 2026, we will be hosting a webinar on grants delivery, unpacking how to tackle funding certainty; achieve consistency; reduce administration friction; and build capacity. To attend, members and officers can: Register here.

Key Performance Indicators

Prior to the commencement of the final accounts audit on 12th May 2026, we shared the below indicators with management. We are monitoring these for the final accounts audit and have not retrospectively applied them to the planning and interim visits. Assessment of compliance as at 28 August 2026 is detailed below.

KPI measure	Target	Assessment at 28 August 2026
Delivery of accounts by agreed audit deadline	1 July 2026	Target met
Delivery of accounts by statutory deadline	30 June 2026	Target met
RAG rating of quality and completeness of draft financial statements	Green	Green
% of audit working papers requests available at agreed timelines	100%	100%
RAG rating of quality and completeness of working papers	Green	Amber The majority of the working papers received to support the financial statements have been of reasonable quality with clear cross referencing to the financial statements. Working papers to support receivable and payable balances in particular were not at the required level of detail to support sample selection.
% of audit samples returned within 5 working days	100%	TBC At the date of writing this report, the majority of our final accounts Balance Sheet samples are in the process of being selected. We will update the Corporate Governance Committee on this indicator in our Audit Findings Report.

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Key Performance Indicators

KPI measure	Target	Assessment at 28 August 2026
RAG rating of quality and completeness of audit sampling evidence	Green	Amber - From sample evidence provided to date documentation is of a reasonable quality. There are areas, for example receivables and payables where evidence is not complete or is only partially complete. There are a higher than expected number of queries in relation to what has been provided to date.
Draft audit findings report issued in advance of CGC	10 days prior to CGC	Not yet due
Draft Auditor's Annual report issued in advance of CGC	10 days prior to CGC	Not yet due
Audit opinion issued by agreed target date	30 November 2026	Not yet due

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Early sample selection progress

Accounts Area – High Risk or large volume	Working papers to support sample selection to be provided by Council	Date working papers received	Samples to be with the Authority	Sample sent to Council	Response to sample required from the Authority	Sample response received by due date	Quality of supporting evidence received to date (1 September 2026)
Trial balance which agrees to financial statements and full ledger GL breakdown	2 July 2026	1 July 2026	N/A	N/A	N/A	Yes	Green - Evidence meets required standard with minimal queries.
Land and Buildings valuation	6 July 2026	6th July	14 July 2026	14th July then updated valuer report received and minor update sent on 16th July hence slight delay.	10 August 2026	Yes	The audit team are currently reviewing the quality of evidence provided
Journals	17 July 2026	2 July 2026	28 July 2026	28 July 2026	17 August 2026	Yes	Amber – Higher than expected number of initial queries regarding the overall purpose of the journal and in a small number of cases evidence is missing.
Receivables	6 July 2026	29 June 2026 (Initial response received 29 June but working papers returned as not in format to select sample, updated version received on 20 July)	14 July 2026	27 July 2026	10 August 2026	Yes	Green – Evidence meets required standard with partial information missing for a small number of sample items.

Early sample selection progress

Accounts Area – High Risk or large volume	Working papers to support sample selection to be provided by Council	Date working papers received	Samples to be with the Authority	Sample sent to Council	Response to sample required from the Authority	Sample response received by due date	Quality of supporting evidence received to date (1 September 2026)
Payables	6 July 2026	29 June 2026 (Initial response received 29 June but working papers returned as not in format to select sample, updated version received on 20 July)	14 July 2026	28 July 2026	10 August 2026	Partially – 7 of 35 items were outstanding at 1 September 2026	Amber-of the 28 items returned, 3rd party evidence to support and/or payment support has not been provided for 11 items.
Grant Income	17 July 2026	29 June 2026	28 July 2026	28 July 2026	17 August 2026	No - not received as at 1 September 2026	N/A – not yet received
Opex – non controcc sample	17 July 2026	2 July 2026 with update on 20 July 2026	28 July 2026	28 July 2026	17 August 2026	Yes	Amber - elements of evidence missing.
Fees and charges	17 July 2026	29 June 2026	28 July 2026	28 July 2026	17 August 2026	Yes	Amber – High level explanation regarding the sample item was missing for majority of the samples and external evidences missing for some.

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Early sample selection progress

Accounts Area – High Risk or large volume	Working papers to support sample selection to be provided by Council	Date working papers received	Samples to be with the Authority	Sample sent to Authority	Response to sample required from the Authority	Sample response received by due date	Quality of supporting evidence received to date (1 September 2026)
Completeness samples - Income	17 July 2026	2 July for invoices raised and 16 July for payments received	28 July 2026	27 July 2026	17 August 2026	Yes	Green - initial review supports evidence meets required standard.
Completeness samples - Expenditure	6 July 2026	3 July 2026	14 July 2026	14 July 2026	10 August 2026	Yes	Green - initial review supports evidence meets required standard.
PPE rights and obligations, additions and contractual commitments samples	17 July 2026	6 July 2026	28 July 2026	28 July 2026	17 August 2026	Yes	Green - Evidence meets required standard with minimal queries.
REFCUS	6 July 2026	8 July 2026 with updated detail provided on 16 July 2026	14 July 2026	1st sample sent 9 July 2026, updated listing provided then final sample sent 17 July 2026	10 August 2026	Yes	Green - initial review supports evidence meets required standard.

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 Authority'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 end of May 2026.	Authority	February and April 2026	Complete
Audit Progress Report This includes summary of audit progress and sector update	Grant Thornton	June 2026	Complete
Draft Financial Statements - draft financial statements as required under the Accounts & Audit Regulations 2015 (as amended)	Authority	30 June 2026	Complete
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)	Authority	July and August 2026	Complete
Audit Progress Report This includes summary of audit progress and sector update	Grant Thornton	18 September 2026 CGC	Complete - this committee
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 Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	Grant Thornton	27 November 2026 CGC	Not yet due
Auditor's Report This includes the opinion on your financial statements.	Grant Thornton	November 2026	Not yet due

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Sector Updates

Local government reorganisation (LGR)

Audit Committees need to be aware of latest announcements and useful guidance.

On 16th July 2026 the Government LGR decisions for 14 areas of England. Together with decisions already announced for Surrey, Essex, Hampshire, Norfolk and Suffolk, this takes the total programme to 134 existing councils being replaced by 38 new unitary authorities.

Areas covered by the decisions on 16th July were:

- Derbyshire and Derby;
- Devon, Plymouth and Torbay;
- East Sussex and Brighton and Hove;
- Gloucestershire;
- Hertfordshire;
- Kent and Medway;
- Lancashire, Blackpool & Blackburn with Darwen;
- Leicestershire, Leicester and Rutland;
- Lincolnshire, North & Northeast Lincolnshire;
- Nottinghamshire and Nottingham;
- Oxfordshire (plus part of West Berkshire);
- Staffordshire and Stoke-on-Trent;
- Warwickshire; and
- Worcestershire.

Rewiring the State was published on 31st July 2026, setting out the government's wider plan to fundamentally rewire the state by shifting power, funding and accountability from Whitehall to local leaders.

On 7 September 2026 the government announced a pause to LGR decisions. For Leicestershire the Shadow Authority elections were due to take place in May 2027, with vesting day of new unitaries on 1 April 2028. The government has confirmed that the May 2027 elections will now be based on existing Council boundaries. The revised timescale for Shadow Authority elections has not yet been confirmed by the Government.

Helpful guidance from Grant Thornton:

For our learning from the eight new unitary councils that were created between 2019 and 2024, see Learning from the new unitary councils.

- For insights into how best to prepare for the new changes now to come, see three recent publications from July and August 2026:
- Why agreeing the balance sheet split early matters.
- The financial planning process and Medium-Term Financial Strategy for newly created unitary councils.
- Managing assets through Local Government Reorganisation.

Audit Committee members are also encouraged to visit our LGR hub for additional information on how their council can successfully navigate change: Local Government Reorganisation | Grant Thornton.

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Adult Social Care

Audit Committees should seek to understand how risks surrounding Adult Social Care are mitigated within their Council.

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CQC findings:

On 14th July 2026, CQC published key findings from their assessment programme of all 153 local authorities in England with adult social care responsibilities.

CQC highlighted that the majority of local authorities are rated 'good', but are mainly at the lower end of the scoring threshold for 'good'. Key themes in the report act as a roadmap for strengthening the sector:

- Prevention
- Safeguarding
- Transitions from Children's to Adult's services
- Unpaid carers
- Equity in experience and outcomes
- Co-production (partnerships with voluntary, community, faith and social enterprise organisations)
- Commissioning.

Other recent developments in relation to the Adult Social Care sector:

- 29th July 2026 –The Prime Minister set out his commitment to reform adult social care and deliver a National Care Service.
- 29th July 2026 – Baroness Casey launched a "big conversation on care", an online survey intended to inform work to develop a National Care Service.
- 4th August 2026 – ADASS published Learning from Safeguarding Adults Reviews: How can they have national impact?

Children's Social Care

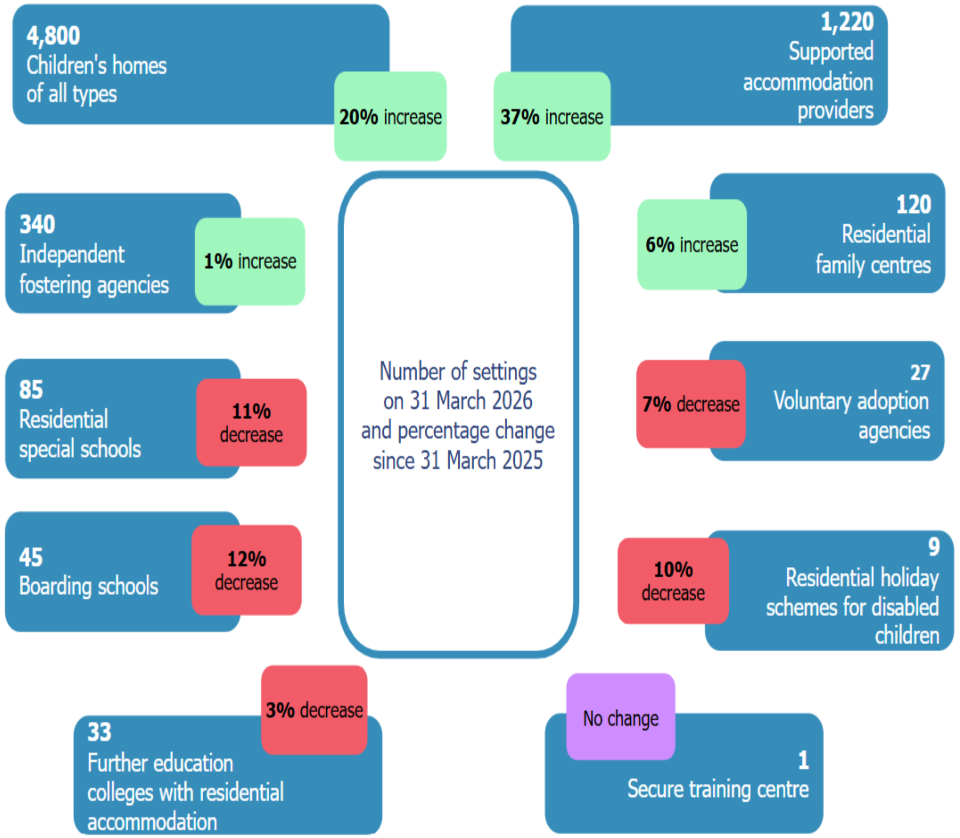
Audit Committees should seek to understand how the risk of unregistered placements is being mitigated by their Council.

Tackling dependency on unregistered children's homes

Supply and demand pressures in recent years have forced many local authorities to rely on placing children in unregistered homes, which offer less protection than they are entitled to. Pressure to prevent this practice is escalating, but Council's overall need more children's homes that they used to, putting them at risk of malpractice:

- 2nd July 2026 – Ofsted published research on sufficiency of children's homes places in England – highlighting that issues with workforce capacity, affordability of housing and lack of foster carers has contributed to a sharp growth in local authorities' use of unregistered children's homes.
- 7th July 2026 – Ofsted launched an open consultation on proposals to improve how it inspects and regulates children's social care providers. The original proposals aimed, amongst other things, at tackling the "shadow system" of children living unprotected in illegal settings.
- 30th July 2026 – Ofsted's official statistics show that there was a 20% increase in the use of children's homes overall in 2026.
- 5th August 2025 - Ofsted won its first successful prosecution of an illegal children's home provider.

Source: Ofsted main findings: children's social care in England 2026 - GOV.UK



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Making the Annual Governance Statement matter

Audit Committees are responsible for approving the AGS (sometimes with Full Council too) and should seek assurance it reflects a robust review against the CIPFA/SOLACE principles, a well-developed Code of Corporate Governance, and a clear assessment of effectiveness.

- An evidence-based, candid view of strengths, weaknesses and planned improvements
- Effectiveness is a qualitative judgement — not just a policy checklist
- The review and drafting of the AGS should always be internally led
- Senior officers must show genuine ownership, directed by members
- An organisation-wide understanding of how governance works in practice

> **The AGS is a key indicator of the effectiveness of a council's governance framework and a potential early warning sign of wider governance weaknesses.**
>
> Grant Thornton UK, July 2026

Read our full article → Published 20 July 2026

Best Value – have your say

New consultation to take part in

The Ministry of Housing, Communities and Local Government (MHCLG) is currently seeking views on revised statutory guidance for local and strategic authorities in England on compliance with the Best Value Duty.

A new consultation opened on Citizen Space on 15th July 2026, and will remain open until 11:59pm on 7th October 2026. This follows the government's March 2026 publication of Lessons learnt from best value interventions 2025. All local authorities are encouraged to take part in the new consultation, to help shape guidance going forward.

There has been a significant increase in the number of councils entering best value intervention since 2020. The government is aiming to learn from direct council experiences to improve policy, practice, and central government's relationship with local government. For the first time, MHCLG has undertaken structured engagement with all councils in statutory and non-statutory interventions exploring their challenges, recovery actions, and outcomes.

To have your say on the revised guidance and what should happen next, follow this link:

Consultation on revised Best Value guidance - Ministry of Housing, Communities and Local Government - Citizen Space

Audit 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

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Leicestershire County Council Pension Fund– 2025-26 Audit

Audit progress report

Written 3 September 2026

Agenda

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Introduction

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.

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Audit Progress Report

Grant Thornton

Progress as at 28 August 2026 – Status of the Audit

Financial Statements Audit Status

Our audit fieldwork ran from June – August and is nearing completion with only a small number of procedures remaining. As yet, there are no matters of which we are currently aware that that would require modification of the audit opinion or material changes to the financial statements. The procedures outstanding are:

G	Completion of our sample testing of directly held properties
G	Queries outstanding from our review of financial instruments
G	Finalisation of our work on investments and review thereon
G	Finalisation of our work regarding related parties and linked query on split of investments by manager
G	Final quality reviews of the audit file
G	Receipt of the management representation letter
G	Review of the Annual Governance Statement and other information published alongside the accounts
G	Review of the final set of financial statements, including confirming the other information published together with the financial statements remains consistent post all audit adjustments.

Financial Statements Audit Findings

We have not identified any adjustments to the financial statement that impact upon the Pension Fund's reported financial position. We have identified the following to date:

- Level 3 Investment - there was a timing lag between the investment valuation information for certain Level 3 assets being available to the Fund when it had to prepare its accounts and final capital statements being received. This is not uncommon in the sector and in our view, does not constitute a control weakness at the Fund as management's process for calculating the estimate has not resulted in material misstatement. This has been assessed as a factual understatement of £5.8m and further extrapolated misstatement of £1.1m Management are proposing not to amend the factual misstatement within the financial statements on the basis that the difference is not material both quantitatively and qualitatively. The Corporate Governance Committee will be asked to confirm their agreement to this through the Letter of Representation.

(continued overleaf)

R Significant elements outstanding – high risk of material adjustment or significant change to disclosures within the financial statements

A Some elements outstanding – moderate risk of material adjustment or significant change to disclosures within the financial statements

G Not considered likely to lead to material adjustment or significant change to disclosures within the financial statements

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Progress as at 28 August 2026 – Status of the Audit

Financial Statements Audit Findings (continued)

- Classification of LGPS Central – During the preparation of the 2025/26 financial statements, management identified a classification error within Note 17 (Analysis of Investments by Manager) in the prior year accounts. An investment managed by Legal & General Investment Management Limited, valued at £1.123 bn at 31 March 2025, had been incorrectly classified as an investment managed outside of the LGPS Central pool. The error has been corrected in the 2025/26 draft financial statements, with both the current year and comparative balances now appropriately reported as investments managed by the LGPS Central pool.

  Whilst this was corrected in note 17 of the financial statements , during our review of note 25, (Related Parties), we identified an inconsistency between the total reported values for investments with LGPS Central. The related party note stated that as at 31 March 2026, £3.3bn of investments were managed by LGPS Central Limited (£2.8bn at 31st March 2025). These values need to be amended to £4.6bn as at 31 March 2026 and £4bn for the comparative period. Management have agreed to make the correction.
- A small number of spelling, grammar and formatting corrections. Management have agreed to make these amendments.

Our anticipated financial statements audit opinion will be unmodified.

Leicestershire Pension Fund- Audit Deliverables

Below are the audit deliverables for 2025/26:

	Planned Date	Status
Audit Plan We are required to issue a detailed audit plan to the Corporate Governance Committee setting out our proposed approach in order to give an opinion on the Authority's 2025/26 financial statements.	Draft to management March 2026 Issued to CGC March 2026	Complete
Progress reporting We will provide a progress update throughout the audit period	June 2026 September 2026	Complete Complete (this committee)
Audit Findings Report The Audit Findings Report will be reported to the Corporate Governance Committee.	November 2026	Not Yet Due
Auditor's Report This includes the opinion on your financial statements.	By 30 November 2026	Not yet due
Auditor's Annual Report This report communicates the key outputs of the audit, including our commentary on the Authority's value for money arrangements.	By 30 November 2026	Not yet due

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CORPORATE GOVERNANCE COMMITTEE – 18 SEPTEMBER 2026

QUARTERLY TREASURY MANAGEMENT REPORT

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

Purpose of report

1. The purpose of this report is to update the Committee on the actions taken in respect of treasury management for the quarter ending 30 June 2026 (Quarter 1).

Policy Framework and Previous Decisions

2. Within the County Council's Constitution, Part 3 – responsibility for functions, the functions delegated to the Corporate Governance Committee include 'that the Council's Treasury Management arrangements are appropriate and regularly monitored'.

3. The Annual Treasury Management Strategy and Annual Investment Strategy (AIS) for 2026-30 form part of the Council's Medium Term Financial Strategy (MTFS). These were considered and supported by the Corporate Governance Committee in January 2026 and approved by the County Council in February 2026.

4. The Treasury Management Strategy requires quarterly reports to be presented to the Corporate Governance Committee, to provide an update on any significant events in treasury management. The aim of these reporting arrangements is to ensure that those with responsibility for the treasury management function appreciate the implications of treasury management policies and activities, and that those implementing policies and executing transactions have properly fulfilled their responsibilities with regard to delegation and reporting. This is in line with the CIPFA Treasury Management Code.

5. An update in respect of Quarter 4 2025/26 was provided to the Committee on 26 June 2026 as part of the Annual Treasury Management Report 2025/26.

Background

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

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

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

Economic Background

9. The Council's treasury management adviser, MUFG Pension & Market Services, 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 below.

10. The first quarter of 2026/27 (April to June) saw:

    - The first sign that the economy is starting to falter with a 0.1% m/m fall in real GDP in April
    - The 3myy rate of average earnings growth excluding bonuses stagnate at 3.4% in April
    - CPI inflation stuck at 2.8% in May, with a rise in core CPI inflation from 2.5% to 2.6% (CPI minus food and energy).
    - The Bank of England leave interest rates unchanged at 3.75%.
    - The 10-year gilt yield fluctuate between 5.18% and 4.69%, ending the quarter at 4.76%

Notable economic events subsequent to MUFG Quarter 1 Update

11. Following the 30 April and 18 June Monetary Policy Committee meetings, the Bank of England retained the interest rate at 3.75% at its last meeting on 30 July (the next meeting is 17 September). MUFG forecast the next reduction in Bank Rate to be made in the second half of 2027, with the Bank Rate falling to 3.25% by the start of 2028.

12. The latest CPI annual inflation rate increased to 2.9% for the 12 months to July 2026 driven mainly by a 13% increase in the Ofgem energy price cap for gas and electricity.

13. Increases in CPI place direct upward pressure on bank rates because central banks use interest rates as their primary tool to reduce. When CPI rises, it indicates that the purchasing power of money is declining. To prevent a wage-price spiral and anchor long-term inflation expectations, the Bank of England will increase or hold their

benchmark base rates high. This mechanism deliberately cools down economic activity by making borrowing more expensive

Treasury Management Action Taken During Quarter 1 to June 2026

Short Term Investments

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

KPIs Loans only:

	Total Loans	APR (Loans Only)	WAM (Days)[1]	Maturities (£m)	APR Maturities	New Loans (£m)	APR New Loans
Current Qtr	287.9	4.16%	130	155.6	4.21%	107.9	4.24%
Prior Qtr	335.6	4.15%	109	41.2	4.10%	31.0	3.85%
Change	↓ 47.7	↑ 0.01%	↑ 21.0	↑ 114.4	↑ 0.11%	↑ 76.9	↑ 0.39%

[1]WAM excludes MMFs as these are overnight liquidity

15. The total balance available for short term investment decreased by £47.7m during the quarter partly due to the early repayment of external debt, explained later in the report.

16. The APR on new loans has increased marginally by 0.01% quarter on quarter.

17. The loans WAM increased by 21 days and indicates that the portfolio will be more insulated against movements in interest rates (whether these are up or down). This was primarily driven by the cash balances being available to lend longer due to the value of maturities in the quarter.

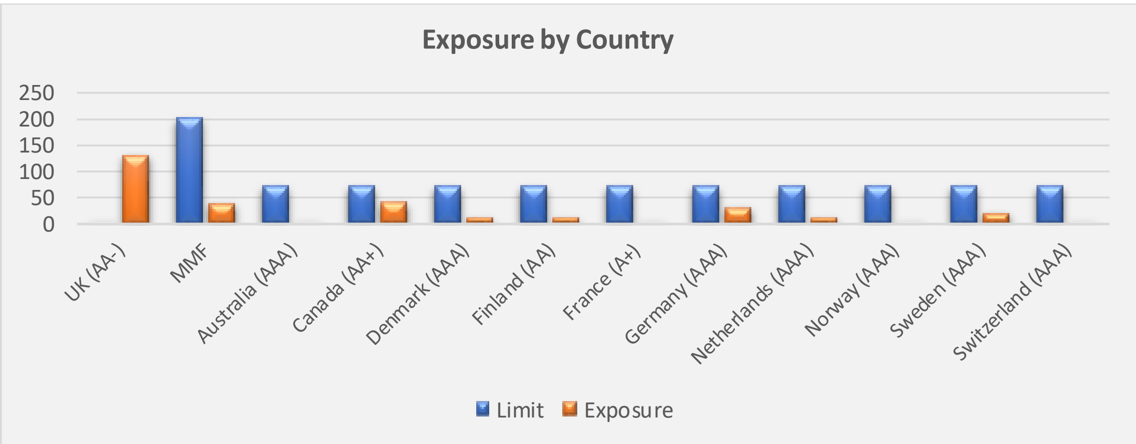
18. The loan portfolio at the end of June was invested with the counterparties shown in the table below, listed by original investment date:

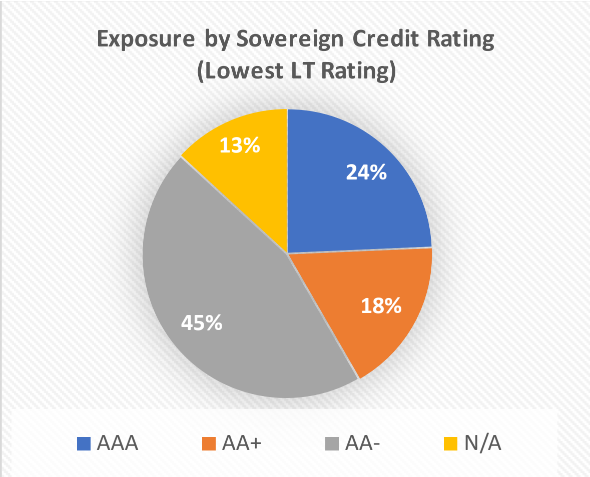
	£m	**Maturity Date**
Instant Access		
Money Market Funds	37.9	July 2026
12 Months		
National Westminster Bank Plc (RF)	10.0	July 2026
Lloyds Bank Plc (RF)	40.0	July 2026
Royal Bank of Canada	20.0	September 2026
National Westminster Bank Plc (RF)	10.0	September 2026
Landesbank Hessen Thuringen	10.0	September 2026
Landesbank Baden Wurtember	10.0	October 2026
Landesbank Hessen Thuringen	10.0	October 2026
Lloyds Bank Plc (RF)	15.0	October 2026
National Westminster Bank Plc (RF)	25.0	October 2026

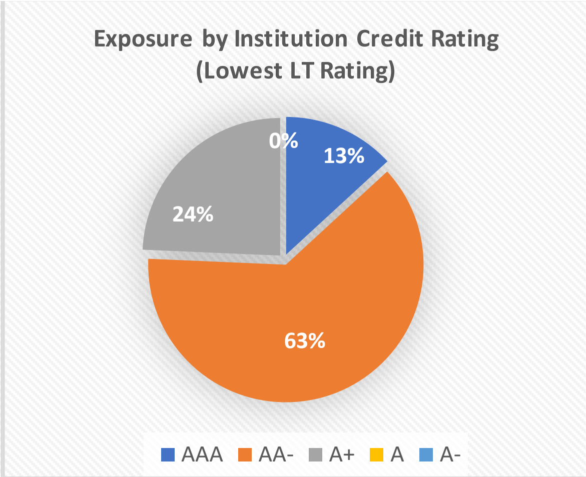
National Westminster Bank Plc (RF)	10.0	February 2027
Cooperative Rabobank U.A	10.0	February 2027
Skandinaviska Enskilda Banken AB	20.0	April 2027
Nordea ABP	10.0	April 2027
Bank of Montreal	20.0	May 2027
Goldman Sachs International Bank	20.0	June 2027
Beyond 12 Months but included in short term investments		
Danske Bank#	10.0	May 2027
Short term investments total	**287.9**	
Beyond 12 Months (IiLP)		
Partners Group (Private Debt) 2021	7.1	Estimated 2029
Partners Group (Private Debt) 2023	7.0	Estimated 2030
CRC CRF 5 (Bank Risk Sharing) 2022	7.1	Estimated 2030
CRC CRF 6 (Bank Risk Sharing) 2025	7.8	Estimate 2032
Pooled Property	9.0	Open ended/ Estimated 2026/27
Pooled Infrastructure	8.8	Open ended fund
TOTAL PORTFOLIO BALANCE: 30 June 2026	**334.7**	

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

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



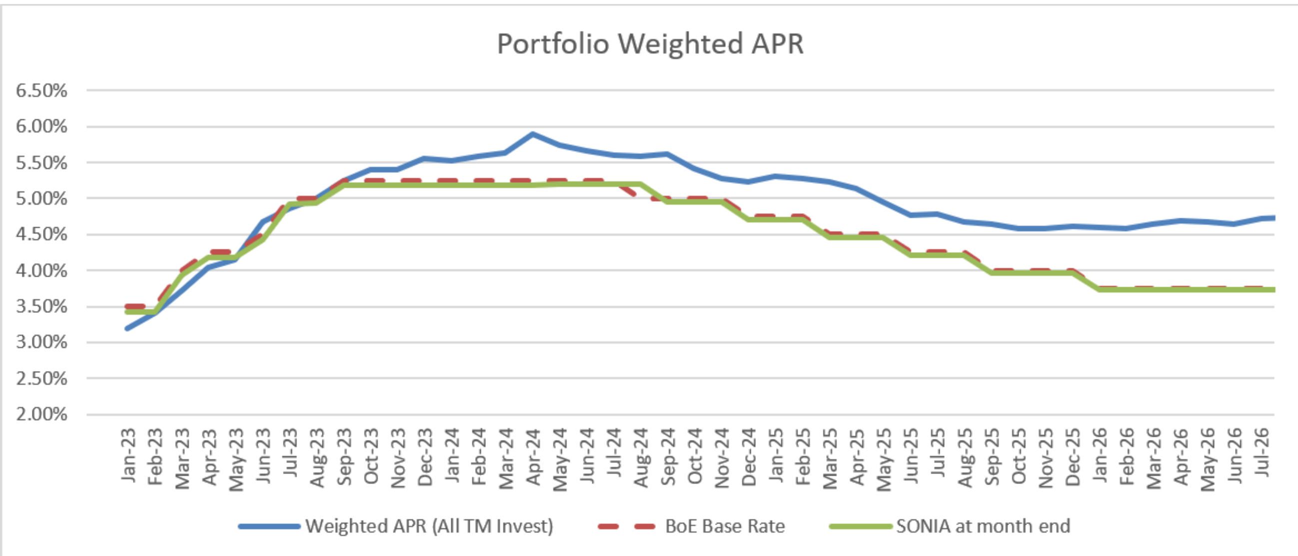




20. These graphs provide an indication of the Council's exposure to credit risk but it should be noted that long term credit rating is just one of the components used to determine the list of acceptable counterparties; short-term ratings, ratings outlook, rating watches, credit default swap movements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

21. The loan portfolio weighted APR increased from 4.15% in Quarter 4 2025-26 to 4.16% in Quarter 1 2026-27. The chart below shows the weighted APR achieved by the treasury portfolio compared to the Bank of England base rate and the Sterling Overnight Index Average (SONIA) rate – the average rates that banks pay to borrow overnight.

22. 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. An indicator for how large the lag is the WAM. This shows the average length of time remaining until the Council's short-term investments mature in days. The position at the end of quarter one shows the average days to maturity of loans is 130 days – an increase of 21 days from the last quarter. Market forecasts for increases in base rates have resulted in higher interest rates being achieved on new investment loans.



Investments Beyond 12 Months

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

As at end of Q1					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	7.1	8.6	6.2%	3.3	1.7	0.0
2023 MAC VII	7.0	8.1	8.7%	0.4	0.6	0.0
Bank Risk Share						
2022 CRC CRF 5	7.1	7.2	15.1%	8.5	1.7	0.9
2025 CRC CRF 6	7.8	7.9	11.3%	0.6	1.0	0.3
Pooled Property						
2015-19 DTZ, Threadneedle *	9.0	7.6	2.2%	3.4	0.2	0.1
Pooled Infrastructure						
2023 JPM Infra	8.8	9.2	7.0%	1.7	0.0	0.1

*The remaining pooled property funds are Threadneedle property unit trust and DTZ managed active value 2 fund are distributing income quarterly.

24. The Council received distributions from the MAC VI fund during the quarter comprising a return on invested capital of £1.7m. The income from this investment reduces as capital is returned.

25. The MAC VII is a relatively new fund that was calling investments until September 2025. It has now entered its capital return phase like the MAC VI fund. During quarter one the Council received a capital repayment of £0.6m. The Council is reviewing options for further Private Debt investments as part of the overall IiLP Strategy Review.

26. Distributions from the Christofferson Robb and Company's (CRC) Capital Relief Fund 5 (CRF 5) during the quarter related to £1.7m capital repaid and £0.9m being income. In addition, distributions from the CRC CRF 6 fund were also received of £1.0m return on invested capital and £0.3m of income.

27. The Council also holds investments in two UK commercial Pooled Property funds, Threadneedle and DTZ, committed to between 2015 and 2019. Capital distributions of £0.2m and revenue interest of £0.1m was received in quarter one. Both pooled property funds have current valuations below the invested capital. This is generally due to the higher value of property when these investments were originally made (during a very low UK interest rate period) compared to the valuations in a higher UK interest rate environment and property market backdrop. The Threadneedle fund is an open fund and can be held indefinitely as it has no scheduled capital return period, it also provides regular quarterly income. The DTZ managed fund is closed ended meaning it was setup with the intention to return capital to investors after a period of time; it is currently returning capital as properties are sold and paying quarterly income.

28. The pooled infrastructure investment with JP Morgan is a diversified global fund investing in developed infrastructure. The commitment to this Fund in 2022 was for £8.8m which was called by JP Morgan in January 2023. The fund has been paying regular quarterly distributions since the original investment.

Loans to Counterparties that breached authorised lending list

29. During quarter one 2026/27 there were no investment loans which breached the authorised lending list.

External Debt Repaid

30. During quarter one and in recent months, gilt yields, which underpin external loan rates, have continued to increase reaching 30-year highs caused by inflation remaining stubbornly above the Bank of England's target of 2% and the ongoing US-Israel-Iran conflict. The increases have been sufficient for the Council to consider further longer-term debt repayment opportunities, which will then lead to annual savings in interest payments for the next 20 to 30 years in excess of the premiums paid.

31. As a result, and after consultation with the Council's Treasury Management advisors, the Council has repaid a total of £42.7m of external debt principal in the current financial year to date. Details of the loans repaid are shown below:

Loan Number	Lender	Start Date	Maturity	Principle £000	Interest Rate	Interest PA £000	Premium £000	Internal Rate of Return	Repayment Date
622	FMS	23/01/2004	23/01/2054	10,000	4.75%	475	0	4.75%	30/04/2026
477672	PWLB	08/05/1996	08/05/2048	4,836	8.38%	405	1,778	5.48%	06/05/2026
477673	PWLB	08/05/1996	08/05/2049	4,836	8.38%	405	1,803	5.50%	06/05/2026
478210	PWLB	26/09/1996	25/09/2047	6,423	8.13%	522	2,045	5.56%	12/05/2026
478214	PWLB	26/09/1996	25/09/2047	832	8.13%	68	265	5.56%	12/05/2026
625	Dexia	14/02/2005	16/02/2065	10,000	4.50%	450	0	4.50%	14/08/2026
461700	PWLB	27/03/1987	31/12/2046	5,804	9.00%	522	2,332	5.65%	04/09/2026
				42,731	**6.66%**	**2,847**	**8,222**	**5.12%****	

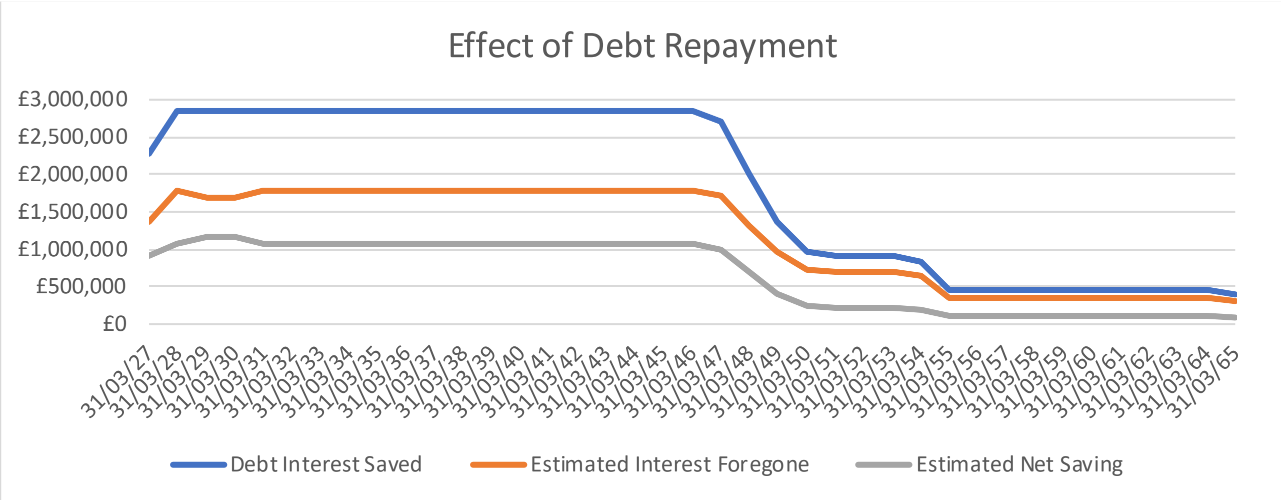
*(FMS Wertmanagement – owned by German Federal Government)
**PWLB only 5.55%

32. While this resulted in a premium of £8.2m, there was still a projected net saving to the authority to repay these loans early. This is because the effective rate of saving (IRR) achieved on the PWLB loans, including premiums, (5.55%) significantly exceeds MUFG's latest forecast long-term earning rate (3.50%) per the table below. If the Council needed to borrow again in the future, the interest savings and the forecast lower interest rate on new borrowing means debt repayments, even with a premium, are financially advantageous.

Average earnings in each year	Now %	Previously %
2026/27	3.80	3.90
2027/28	3.50	3.50
2028/29	3.30	3.30
2029/30	3.30	3.50
Years 6-10	3.50	3.50
Years 10+	3.50	3.50

33. The loans to FMS and Dexia were lender option borrower option (LOBO) loans where the lender exercised their call option to change the interest rates on the loans (to a significantly higher rate). As a result, the Council took the opportunity to repay these loans, no premiums apply in these circumstances.

34. By repaying external loans the Council will save £2.8m per annum in fixed interest payments over the next 20 to 30 years. However, with lower cash balances there will be a reduction on the interest that can be earned, shown below. The estimated net cash saving to the authority over the remaining life of the loans repaid is £1.1m p.a.



35. The Council's actual level of external debt now stands at £87m, the lowest level for over 30 years.

36. The capital financing requirement (CFR) is the level of historic capital expenditure required to be funded, which is estimated to be £189m at 31 March 2027. Comparing the actual external debt to the CFR, the Council is forecast to be £102m underborrowed at year end. With investment balances of £335m, this position can be managed using internal investment balances rather than more expensive external borrowing. Part of Treasury Management activity is to manage this position, the forecasting of cash balances and the amount required to finance the CFR.

Notable events subsequent to Quarter 1 Update

37. Details of external debt repayments made after quarter one are included in the above. No further material events are reported.

Compliance with Prudential and Treasury Indicators – Quarter 1

38. The prudential and treasury indicators are shown in Appendix B. It is a statutory duty for the Council to determine and keep under review the affordable borrowing limits. During the quarter ending 30 June 2026, the Council has operated within the treasury and prudential indicators as set out in the Council's Treasury Management Strategy Statement for 2026/27, except for the capital expenditure forecast for 2026/27 and the actual financing costs as a % of net revenue stream by 0.1% due to the premiums payable on the early repayment of debt.

39. The latest estimate of capital expenditure in 2026/27 is £181m compared with the original prudential indicator of £164m. The increase is due to additional government

capital grants, announced after the MTFS was approved, and the rephasing of capital expenditure (and its funding) from the 2025/26 outturn. The increase in the capital programme is fully funded.

Resource Implications

40. The interest earned on revenue balances and the interest paid on external debt will impact directly onto the resources available to the Council. The budgeted income for interest generated by treasury management activities (excluding investments beyond 12 months – which are reported separately as part of the Investing in Leicestershire Programme, IiLP) for 2026/27 is £11m. Current bank interest forecasts show interest earned in 2026/27 could reach £12m due to the Bank of England base rate levels being higher and for longer than forecast and higher than estimated average Council balances than when the budget was set.

41. Average balances remain strong due to the level of earmarked reserves, latest phasing of spend on the capital programme and government grants received in advance.

42. Capital financing costs for 2026/27 are forecast to be £2.3m lower than budgeted for in 2026/27 before premiums are charged.

Recommendations

43. The Committee is asked to note this report.

Background papers

44. None.

Circulation under the Local Issues Alert Procedure

45. None.

Equality and Human Rights Implications

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

Appendices

Appendix A - Economic Overview (For the quarter to June 2026)
Appendix B – Prudential and Treasury Indicators for 2026/27 as at 30 June 2026

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The Economy and Interest Rates (From MUFG Corporate Markets: Treasury Management Update, Quarterly Report 30 June 2026)

1. Economics update

- The first quarter of 2026/27 (April to June) saw:
  - The first sign that the economy is starting to falter with a 0.1% m/m fall in real GDP in April
  - The 3myy rate of average earnings growth excluding bonuses stagnate at 3.4% in April
  - CPI inflation stuck at 2.8% in May, with a rise in core CPI inflation from 2.5% to 2.6%
  - The Bank of England leave interest rates unchanged at 3.75% as the economy remains weak
  - The 10-year gilt yield fluctuate between 5.18% and 4.69%, ending the quarter at 4.76%
- The economy performed well in the early stages of the energy shock, with GDP rising by a strong 0.6% q/q between January and March. But that will likely be the high point of the year. Indeed, the 0.1% m/m fall in real GDP in April was the first decline since August 2025 and brought the first signs that the economy is starting to crack.
- Services output contracted by 0.2% m/m in April and activity fell in eight of the 14 services sub-sectors, suggesting the sector is bearing the brunt of the Iran war fallout. Consumer-facing services recorded the biggest monthly fall in output since May 2025, causing the %3m/3m growth rate to ease from 0.9% in March to 0.6% in April, as households cut back on non-energy spending.
- Despite a weak headline number, digging deeper there were some signs of strength. Manufacturing output rose by 0.4% m/m but that was probably in part due to a temporary prop from precautionary stock building. Looking ahead, despite the announced ceasefire of the conflict in the Middle East, Capital Economics expect elevated prices to erode the real spending power of households and businesses, leaving growth to stagnate in Q2 and Q3 this year.
- The fall in the composite Purchasing Manager Index (PMI) from 49.7 in May to a 14-month low of 49.4 in June was entirely driven by services activity. Indeed, the services activity PMI fell from 49.3 to a 41-month low of 48.7 due to rising costs and political uncertainty weighing on consumer confidence. That weakness was partly offset by a rise in the manufacturing output for a third consecutive month but that was due to fears of shortages causing businesses to build stocks. Overall, the composite PMI suggests the strong start to the year will be followed by tepid growth at best. Various prices balances have edged lower more recently as falling oil prices feed through to an easing in cost pressures. While these prices remain too high for the Bank of England, it is clear the upward pressure on prices is easing.,
- With most of the 1.2% m/m rise in retail sales volumes in May driven by promotions and unusually warm weather, this surprisingly strong month is unlikely to be the start of a sustained upturn. Admittedly, the recent fall in oil prices should boost fuel sales as drivers become less cost sensitive, but the GfK measure of consumer confidence in June still points to total sales volumes falling by about 2.0% m/m in June. Moreover, while the war could be over, the expected further rises in inflation and unemployment yet to come through seem consistent with the annual growth rate of retail sales volumes easing from +3.2% in May to about -1.0 this year.
- Public sector net borrowing of £23.3bn in May was above the OBR's forecast of £17.7bn and £5.4bn above May's figure last year. The weak performance in May was mainly due to the strength of government spending, as the rise in Retail Prices Index inflation in March meant debt interest payments were £4.1bn higher than in May 2025, £3.3bn higher than the OBR anticipated in March and the highest in any May on record. Tax receipts of £85.5bn were also below OBR predictions.
- The weak performance in May has come before the full impact from the energy price shock hits. The combination of further energy price support, higher inflation and the weakening economy may cause borrowing to rise from 4.2% of GDP in 2025/2026 to 4.4% in 2026/2027, above the OBR's March forecast of 3.6%. If Chancellor Reeves is replaced, there is scope for borrowing to be even higher.
- The first quarter of 2026 saw significant weakening of the labour market. While the latest PAYE employment figure for May saw a 2,000 rise, that barely offset the big 53,000 drop in April and meant employment was still 64,000 (0.2%) lower than before the start of the Iran war and 0.4% lower than a year ago. Moreover, the number of job vacancies on the single-month measure fell for the fourth month in a row in May and the claimant count saw the largest monthly rise since July 2024.

- In addition to some signs of stabilisation in the labour market figures, the recent easing in pay growth appears to have stalled. Despite some further easing in the private sector pay below the 3.25% that the Bank of England considers consistent with CPI inflation falling to target, the 3myy growth rate of average earnings stayed at 4.4% in April. Excluding bonuses, it stayed at 3.4% whilst regular public sector pay growth accelerated from 4.8% 3myy to 5.1% 3myy.
- Like wage growth, CPI inflation held steady in May at 2.8%. There wasn't much support to inflation from energy effects. The 0.3% m/m fall in fuel prices was smaller than the 1.6% m/m drop last May and meant fuel inflation rose only a bit from 23.0% to 24.6%. After rising to 129.6%, heating oil inflation eased to 95.6%. And the 13.5% rise in the Ofgem utility price cap, which will add 0.6 percentage points (ppts) to CPI inflation, doesn't take effect until 1st July. With food & drink inflation easing to its lowest rate since late 2024, higher energy costs do not seem to be boosting other items of the CPI just yet.
- The delayed rise in utility prices and the lagged indirect energy effect will lift CPI inflation over the next nine months, perhaps to around 3.6%. Even so, the weak labour market and soft economic backdrop will prevent second-round effects, allowing inflation to fall to 2.0% next year.
- There were two monetary policy committee (MPC) meetings in Q2 2026 where Bank rate was yet again left unchanged at 3.75%. Even so, the tone in recent meetings has been increasingly hawkish, with two MPC members voting for a rate hike in June compared to just one in April. While energy prices may be falling, the MPC won't want to unwind some of the tightening in financial conditions priced into the markets. And while there is quite a difference between this energy shock and the one following the Russia-Ukraine war in 2022, the Bank of England will want to steer clear of allegations of taking too long to act. Nevertheless, we suspect a weak labour market, and soft activity will keep rates at 3.75% this year, with cuts thereafter leaving Bank rate at 3.5% by the end of next year and 3.25% by the spring of 2028.
- April to June brought more volatility for 10-year Gilt yields. After ending March at 4.92%, the 10-year Gilt shot up to 5.18% in mid-May, its highest level since 2008. While that largely reflects the surge in energy prices, sticky domestic inflation concerns and a rising UK political risk premium also put some upward pressure on the yield at the margin.
- Since, positive developments in the US-Iran conflict has led to a fall in oil and gas prices. The 10-year Gilt yield has generally traced that move, falling back to 4.7% in June. This rally in Gilts has also been supported by the Bank of England keeping rates on hold and some reassurance on the fiscal outlook from the likely replacement of Starmer's leadership with Burnham's. Indeed, while financial markets had been pricing in around four policy rate hikes over the next year or so, they are now pricing in just one rate hike over the coming year. While the full inflationary impact of the war in Iran is yet to be felt, we still think a weaker labour market and subdued growth will prevent second-round effects.
- The FTSE 100 has been slowly gaining back some of the losses of the previous quarter. While the index dropped from an all-time high of around 10,900 in late February to 10,176 by the end of March as the ongoing war weighed on sentiment, the FTSE 100 regained some ground by the end of June. Indeed, the index has increased by around 3.3% over the quarter, rising from 10,176 to 10,516 and volatility has returned to historical norms.
- Nonetheless, with stocks in the energy sector generally providing negative returns amid falling energy prices, the large weighting of the sector in the FTSE 100 has led the index to underperform most peers in common currency terms. But returns from stocks in other sectors, particularly financials, helped to offset some of this weakness. Looking ahead, Capital Economics expect tech sectors to outperform as enthusiasm for AI builds, potentially pushing the FTSE 100 index up above 11,000 before a bursting of the AI bubble causes the index to fall back to 10,500 in 2027.

MPC meetings: 30th April & 18th June 2026

- There were two Monetary Policy Committee (MPC) meetings this quarter. The first, on 30th April, saw Bank Rate stay at 3.75% with an 8-1 split vote in favour of that decision. One member dissented and voted for a 0.25% increase to 4%, citing inflation concerns, something generally noted as a primary concern within the minutes and reflecting heightened caution due to potential energy supply shocks caused by the Middle East conflict.

Appendix A

- By the time the MPC next met on 18th June, the hawkish split widened, with two members voting to raise rates to 4%. However, with headline CPI inflation sticking at 2.8%, the market's sentiment that there may, but only may, be a need for a single rate increase over the next few months seems to be aligned to the way the MPC is thinking and is also similar to our own view of rates staying at 3.75% but with upside risk.

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APPENDIX B

PRUDENTIAL INDICATORS 2026/27

	Original Indicator 2026/27	Position at Quarter1 (30/06/2026)
Capital Expenditure (including Schools devolved formula capital)	£164m	£181m
Capital Financing Requirement	£189m	£189m
Actual Capital Financing Costs as a % of Net Revenue Stream	2.0%	2.1%
Net income from commercial activities as a % of net revenue stream	1.3%	1.0%
Operational Limit for External Debt	£195m	£195m
Authorised Limit for External Debt	£205m	£205m
Liability Benchmark – Gross loans requirement	£-195m	£-183m
*Actual debt as at 07/09/2026 (£000's)	£145m	£87m

*latest date available used.

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Agenda Item 9

Leicestershire County Council

CORPORATE GOVERNANCE COMMITTEE – 18 SEPTEMBER 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
     - Terrorism (Protection of Premises) Act 2025 (Martyn's Law)
     - Local Government Reorganisation (update)

Corporate Risk Register (CRR)

2. Within the County Council's Constitution (revised May 2026), the Terms of Reference at Section 2: Governance and Risk place 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 26 June 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 added

C&FS

6. 4.6 - IF there is insufficient availability of suitable Ofsted-registered residential placements for children coming into care, particularly those with complex needs, then the Council may be unable to secure appropriate registered accommodation that meets statutory requirements. This could result in children being placed in unregistered/unlawful or activity-based settings on a temporary basis, exposing the Council to legal, safeguarding, financial, and reputational risks and potentially impacting on children's outcomes and wellbeing.

Risk removed

G, E&T

7. **9.5 -** If there are significant changes / clarifications to legislation, policy or guidance then performance could be impacted and cost increases

Rationale: Risk impact reduced in line with service risk assessments. For highways, the new risk-based approach to working practices went live on July 1st. This includes a new revised hierarchy, inspection routes, and response times to defects based on risk. As we are now conforming with the Code of Practice this can now be de-escalated. For the waste element the risk score has been amber for some time. They are continuing to assess the potential areas of legislative change and implications as well as responding to consultations but no further specific actions at this stage.

The overall risk will remain on the department's register as an amber risk.

Risk redefined

C&FS

8. **7.7 – From:** 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 maladministration with regards to statutory timescales. The situation is worsened by a lack of specialist placements which means that children with complex needs may not be placed in a timely way and hence may not receive the support to which they are entitled through their EHC Plan

To: IF demand for Education, Health and Care Needs Assessments (EHCNAs), Education, Health and Care Plan (EHCP) reviews and amendments, specialist SEND placements, and school places (including Alternative Provision (AP)) exceeds the available capacity of SEND Services and education provision, and if sufficient capital investment is not available to deliver the required additional places, specialist and alternative provision, then the Council may be unable to meet its statutory responsibilities for SEND and place planning.

Rationale: The risk has been revised to reflect a broader strategic concern regarding the Council's ability to meet its statutory SEND and place-planning responsibilities. The previous wording focused primarily on staffing capacity within SEND Services and the impact on assessment timescales. The revised wording recognises that delivery is also dependent on the sufficiency of specialist provision and school places, workforce availability, and the capital investment required to expand provision. This provides a more comprehensive description of the causes, impacts and strategic consequences associated with increasing demand for SEND services.

Emerging risks

Terrorism (Protection of Premises) Act 2025 (Martyn's Law)

9. The Terrorism (Protection of Premises) Act 2025, commonly known as Martyn's Law, aims to improve public safety by requiring those responsible for certain publicly accessible premises and events to consider the risk of terrorist attacks and implement proportionate measures to reduce harm and improve preparedness.

10. The Act received Royal Assent in April 2025 and is currently in an implementation period before the legal duties come into force, providing organisations with time to assess their readiness and develop compliance plans. Statutory guidance was presented to Parliament on 15 April 2026 and updated on 7 August 2026. The main duties are not expected to commence before April 2027.

11. The Council is treating the implementation of the Act as a corporate compliance and assurance issue. It will need to identify premises and events that fall within scope, confirm responsibilities, evidence proportionate public protection arrangements, and prepare for future Security Industry Authority registration and regulatory oversight.

12. The Council must show timely, proportionate, and coordinated preparation with clear ownership, governance, risk reporting, and alignment with existing corporate arrangements. Failing to effectively plan for and implement the requirements of the Act before it comes into force could result in non-compliance with statutory requirements, leading to regulatory enforcement action, financial penalties, increased compliance costs, operational disruption, and reputational damage. Challenges in interpreting legislative requirements, assigning accountability, implementing proportionate controls, and securing

sufficient resources may delay compliance and expose weaknesses in governance, policies, procedures, training, and assurance arrangements.

13. A review of all corporate operational property sites has been undertaken to identify any sites that may fall within scope of the Act. Implementation at all sites confirmed will require a clear corporate programme involving all departments and covering scope, ownership, training, controls and assurance. Further preparatory work has begun through a cross-council Protect Preparation Task and Finish Group.

14. The next stage will move the Council from preparation to implementation, with senior ownership, defined workstreams and regular reporting to support CMT oversight and delivery through a Protect Implementation Team. Immediate priorities are to: -

- confirm LCC sites and events that will fall within scope
- review key procedures and gaps
- develop staff training and communications
- secure legal, audit, risk and insurance input; and
- maintain engagement with national guidance and key partners.

15. The Director of Corporate Resources will act as the Council's Senior Responsible Officer. The Committee will be kept informed of progress.

Local Government Reorganisation (update)

16. Shortly before circulation of the agenda, the Secretary of State announced that the LGR process would be paused pending a review. The following section has been kept in the report for information at this stage pending further clarification on the revised LGR timetable.

17. Following the Government's decision on Local Government Reorganisation (LGR) within Leicester, Leicestershire and Rutland (LLR), formal implementation arrangements are now being established. The first meeting of the LGR Implementation Programme Board has taken place, bringing together Chief Executives and senior officers from across the area to oversee delivery of the programme and coordinate activity between the constituent councils. The County Council's Chief Executive is the LLR lead officer.

18. The Programme Board has approved the initial governance framework for the implementation phase, including its Terms of Reference, supporting governance arrangements and a thematic workstream structure. A series of implementation workstreams is being established covering key areas of transition activity, with further work underway to finalise workstream leadership, detailed terms of reference and programme design principles.

19. Initial requests by the Ministry of Housing, Communities and Local Government (MHCLG) have been fulfilled. These include submission of warding proposals, parish election arrangements, returning officer responsibilities and transition funding arrangements. Joint Committee arrangements are also being developed, with membership expected to be confirmed by the end of September and initial meetings scheduled during October.

20. The Council continues to participate in LLR-wide planning activity and is assessing the financial, workforce and operational implications arising from implementation. LGR is a significant cross-organisational change programme that will require a large resource commitment over an extended period. Whilst additional resources may be secured to support the programme, many of the specialist skills and leadership roles required for LGR are the same resources needed to deliver core council services. Consequently, there is a risk that LGR objectives and/or County Council priorities could be compromised if capacity pressures are not effectively managed.

21. Agreement of funding arrangements, governance clarity, delivery timescales and effective stakeholder communications are other key programme risks requiring ongoing management and monitoring. As implementation activity develops, these risks will continue to be reflected in programme governance arrangements and considered through the Council's risk management processes.

Recommendations

It is recommended that the Committee:

a. Approves the status of the corporate and strategic risks facing the County Council.

b. Makes recommendations on any areas which might benefit from further examination.

c. Notes the emerging risks on planning for and implementing the Terrorism (Protection of Premises) Act 2025 (Martyn's Law), and the update on Local Government Reorganisation.

Resources Implications

None.

Equality and Human Rights Implications

None.

Circulation under the Local Issues Alert Procedure

None.

Background Papers

Reports of the Director of Corporate Resources – 'Risk Management Update' – Corporate Governance Committee, 6 December 2024, 24 January, 31 March, 23 June, 19 September and 24 November 2025, 23 January, 27 March and 26 June 2026.

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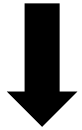
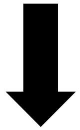
Appendices

Appendix A - Corporate Risk Register Update (July/August 2026)

CRR Risk No.	Dept	Risk Description	Current Risk Score Impact	Current Risk Score Like lihood	Current Risk Score Risk Score	*Target Risk Score Impact	*Target Risk Score Like lihood	*Target Risk Score Risk Score	Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
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 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 identified potential savings of £27m across the MTFS period, with a stretch target approaching £60m. Cabinet approved the revised Transformation Programme in May and mobiisation of the programme is now underway. Savings will be incorporated into the MTFS once there is sufficient confidence around delivery. Cabinet and Scrutiny will receive updates on the MTFS refresh and Better Leicestershire progress throughout the budget setting process. There are a number of external factors that may also influence the MTFS, such as any new policy and spending plans of the new Prime Minister **A&CS** Period 3 forecast is showing an overspend of £230k against budget. The reduced Discharge to Assess Risk Share is subject to ongoing dialogue with NHS partners. The Efficiency Review is beginning to move towards implementation and additional front line and leadership capacity resourcing is being identified. Income targets for cultural services are being monitored on a regular basis including implementation of higher fees relating to Country Parks (£80k).	↔
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	Work on procuring different models of accommodation and support to ensure best outcomes and value for money is progressing - 16+ Support Accommodation UASC mini-tender is being evaluated with award anticipated late September 2026; Non-UASC 16+ tender still in preparation but soft-market test due to go live in August 2026 and results of this can be fed back in to final draft of specification ready for publishing to market (likely Autumn 2026). The Placements Fee Review Process for 2026/27 is largely concluded - there are some ongoing appeals for EIAN providers (Independent Special Schools) and for Barnardo's (internal residential homes). IPAs for social care placements affected by uplifts have been redrafted. Cost avoidance from this process is being calculated and will be shared with CFS DMT Change Board. Work is also continuing with CFS Commissioning Service to improve negotiation with providers over fees, control. additionality requests; this includes work and training for workforce on referral quality as this has been identified as a potential contributor to additionality requests and sufficiency challenges. The impact of this work continues to be tracked through service and departmental ICMS and reported monthly to CFS DMT Change Board.	↔
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.	4 **(Reduced from 5)**	5	20	4	4	16	Confirmation hs been received that the Government will pay up to 90% of deficits accumulated up to 31 March 2026. However, the detail and timeframe as yet to be confirmed. Further announcements are expected in the Autumn.	↔

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

CRR Risk No.	Dept	Risk Description	Current Risk Score: Impact	Current Risk Score: Like lihood	Current Risk Score: Risk Score	*Target Risk Score: Impact	*Target Risk Score: Like lihood	*Target Risk Score: Risk Score	Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
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 planning obligation cost multipliers for all services • Reviewing and consulting on an updated Leicestershire Planning Obligations Policy • Review of processes and procedures, assisted by the LCC Internal Audit Service • Review of growth governance We are continuing to work closely with and influence Local Plan policies and Community Infrastructure Levy.	
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	Work to procure different models of accommodation and support to ensure best outcomes and value for money is progressing - 16+ Support Accommodation UASC mini-tender is being evaluated with award anticipated late September 2026; Non-UASC 16+ tender still in preparation but soft-market test due to go live in August 2026 and results of this can be fed back in to final draft of specification ready for publishing to market (likely Autumn 2026). As noted previously, 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 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. Since March 2026 submissions have been made into the Examination on behalf of the County Council to meet the six statutory deadlines so far, with a further three deadlines to the close of Examination in September 2026. In addition, Officers participated in hearings in March and May and will participate in a further hearing in August to represent the County Council's interests. 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.	
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.	

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		
1.16	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.The Council has commissioned EPI who are specilialists in school budget management to support schools to develop balanced budgets and scrutinise budget recovery plans submitted alongside licenced defict applications. Licensing of deficits will be agreed during the Autumn Term. The programme will start to prioritise schools for support and reorganisation alongside the licensing process and the programme will be formally launched in October.	↔
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** - Work has commenced on agreeing a joint protocol on Continuing Health Care and joint funding with the new ICB. With the new ICB in place, we are reviewing current standard operating procedures around hospital discharge to reduce any potential delays and reinstate joint care and funding pathways. **C&FS** - Regular discussions are taking place with the ICB but their action plan/resturucting is not yet fully implemented **PH** -No further update	↔

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	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, so focus continues on improving existing technical controls and introducing new security initiatives to further stregthen security posture and reduce impact of any successful attack/breach. To enhance cyber recovery and general preparedness, regular, close working between ICT and Business Contintity Teams is in place and ensures consistent delivery of Disaster Recovery and Business Continuity Plans. Several compliance based activities underway relating to review customer security posture against Cyber Essentials standards, and work is planned for later in the year to undertake gap analysis for Cyber Assessment Framwork (CAF).	↔
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 Commissioning Support Unit is implementing procurement improvements to strengthen compliance, transparency and value for money through a revised Target Operating Model (TOM), including a new e-tendering system to support Procurement Act requirements. The system is expected to go live by August 2026, with full implementation by December 2026. Engagement with Directorate Management Teams is underway, with Corporate Management Team consideration planned for the end of August. The proposed TOM will support a more consistent approach to procurement and contract management. Together, these changes are intended to reduce procurement risk by improving oversight, category management, supplier relationship management and contract governance, while supporting delivery of savings and improved outcomes.	↔
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	The Local Authority anticipates demand for Alternative Provision and Special School places will increase in line with the national increase following the announcement of the current SEND Reforms and changes to EHCP legislation which is currently driving parental anxiety for EHCPs and specialist school places. Due to sufficiency issues for special school places, Alternative Provision of which Independent Specialist Provision is part of, is the only available option – increased legal challenge places the Local Authority at risk of placements set by the parental preference and Tribunal direction in the absence of all other available provision, closer to the child's home. 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. The Council must meet its statutory duty in relation to transport to alternative settings whilst also balancing network efficiency. A revised transport policy position that ensures clear referral and reporting processes that ensures impacts can be monitored and reviewed is being established with a view to being adopted by January 2027.	↓

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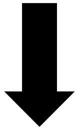
CRR Risk No.	Dept	Risk Description	Current Risk Score: Impact	Current Risk Score: Like lihood	Current Risk Score: Risk Score	*Target Risk Score: Impact	*Target Risk Score: Like lihood	*Target Risk Score: Risk Score	Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
4.6	C&FS **(NEW)**	IF there is insufficient availability of suitable Ofsted-registered residential placements for children coming into care, particularly those with complex needs, then the Council may be unable to secure appropriate registered accommodation that meets statutory requirements. This could result in children being placed in unregistered/unlawful or activity-based settings on a temporary basis, exposing the Council to legal, safeguarding, financial, and reputational risks and potentially impacting on children's outcomes and wellbeing.	4	5	20	4	3	12	The Council has routine operational oversight placed in unlawful provision so that we are confident all efforts to identify suitable registered provision are taking place without any delay but we have careful operational oversight, we do have multiple streams of work around sufficiency to increase placements. There is a piece of work linked to Better Leicestershire that is linked to fostering opportunities to be enhanced although these are in the early deisgn phase, work around the wider residential and building on our inhouse provision is being pushed as an urgent action but likely that given the commissioning rules and the time it takes to develop these projects there will be a lag between our intention and work to delivering viable otpions.	
5. Safeguarding - category retired										
6. Category retired										
7. People										
7.1	CR (ALL)	If sickness absence is not effectively managed then staff costs, service delivery and staff wellbeing will be impacted	4	4	16	3	4	12	The absence rate has decreased slightly since the previous report to the Corporate Governance Committee. Quarterly reporting to the Employment Committee continues, alongside refreshed reporting to the Corporate Management Team. Absence management training is in place to support managers in applying consistent and effective processes.	↔
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** - Recruitment activity is still ongoing, still awaiting further information from the DfE re 2year Assessed and Supported Year in Employment ASYE programme. We are aligning DFE guidance with our families first partnership programme to cover the new roles i.e. the lead child practitioner, we continue to proactively recruit using regular adverts and social media to support this. We are seeing increasing gaps in the agency market which means that gaps in our permanent workforce are difficult to fill with the quality of agency that we need to undertake - this is being escalated via our recruitment partner Reed and we need to come up with options as this does appear to have the potential to move us into a period of crisis if not managed well. Currently exploring options and keeping the risk under review alongside the work.	
			4	4	16	3	3	9	**CR** - Work has started on creating a number of bite size videos to provide advice on adverts, shortlisting etc. It is likely that the LGR decsion will impact recruitment and retention and it will be important to monitor this on a local/service level.	
									Learning and Development's focus is to continue to work to maximise apprenticeship levy utilisation, respond to government policy changes and the developmeny of an apprenticehip strategy.	
			4	4 **(decrease from 5)**	16	3	3	9	**G, E&T** - DMT noted that the current score relies on recruiting to vacancies or alternatively bringing in agency / consultancy support.	
									A&CS - A review is commencing to understand current and future requirements of vacancy	

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

CRR Risk No.	Dept	Risk Description	Current Risk Score: Impact	Current Risk Score: Like lihood	Current Risk Score: Risk Score	*Target Risk Score: Impact	*Target Risk Score: Like lihood	*Target Risk Score: Risk Score	Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
			4	4	16	3	3	9	**A&CS -** A review is commencing to understand current and future requirements of vacancy management, attraction of candidates and recruitment activity regarding timescales and successful appointments. **Risks currently scoring below 15**	
			3	4	12	3	3	9	**PH, C, L&G** - Law/Trading Standards - recruitment still an ongoing challenge	
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	Homecare procurement successfully completed with implementation date of October 2026. Continuation of Community Life Choices arrangements in preparation for revised procurement. Extra Care tender out to market imminently.	↔
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	A new dashboard has been developed to enhance timeliness of assessment reporting. Significant progress has been made in respect of Care and Support assessments and Adult Social Care Finance assessments.	↔
7.7	C&FS	IF demand for Education, Health and Care Needs Assessments (EHCNAs), Education, Health and Care Plan (EHCP) reviews and amendments, specialist SEND placements, and school places (including Alternative Provision (AP)) exceeds the available capacity of SEND Services and education provision, and if sufficient capital investment is not available to deliver the required additional places, specialist and alternative provision, then the Council may be unable to meet its statutory responsibilities for SEND and place planning.	5	5	25	4	4	16	There are currently 518 children and young people awaiting specialist school places within Leicestershire. A refresh of the SEND capital strategy is underway which will set out the future SEND capital programme for the next 5 years. This will include a new 252 place special school for the South of the County due to be delivered in 2028, in addition to additional places at existing special schools, a number of new specialist basis on mainstream school sites and new accommodation for Oakfield Short Stay school. Additional staff capacity to expedite the rollout off speicalist bases will be introduced through the SEND reform plan. Lack of special school sufficiency places has increased demand on Oakfield Short Stay Places - primary need analysis underway and going through EHCP's to identify education provision requirements, weekly meetings with Heads of Service who then will meet with parents	↔

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

CRR Risk No.	Dept	Risk Description	Current Risk Score: Impact	Current Risk Score: Like lihood	Current Risk Score: Risk Score	*Target Risk Score: Impact	*Target Risk Score: Like lihood	*Target Risk Score: Risk Score	Update April/May 2026	** Direction of Travel (Residual Risk Score over the next 12 months)
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	**<u>Internal Business Continuity (BC) arrangements</u>** The project on testing Business Continuity (BC) plans is on course to be completed within the project timelines (end of March 2027). The BC officer responsible for the project, will shortly be starting the review of the BC plans for both care departments. It is interesting to note that both departments have declassified some plans as they do not meet the definition for a Tier 1 risk classification. Also, that they have reduced the number of plans due to teams operating virtually the same plan. Therefore, rather than have 5 separate identical plans for 5 teams, moving to having 1 plan for 5 teams. The Resilience & BC team have also been asked to support the testing of plans with both care departments. **<u>External (Critical Service Provider) Business Continuity (BC) plans</u>** Since the last update, on the instructions from the Resilience Planning Group (RPG) in the July meeting, the BC officer responsible for the work has contacted all the persons responsible for the outstanding external plans. The requirement being to either complete the plan to provide a high level of assurance, if not to accept the risk to be signed off by suitable level of authority and then add the risk to departmental risk registers. To date of the 28 outstanding plans, all but 12 have been assessed to a high level of assurance, or been declassified due to not meeting the Tier 1 risk classification. A meeting was held recently by the relevant BC officer and the manager of the Commissioning Support Unit (CSU) to consider a way forward in attempting to assess BC plans of provided critical services, before or at the time of signing off a contract. It has been agreed the BC officer will work closely with the CSU team to consider how this could be achieved before reporting back to manager on a way forward. This is likely to require a DMT/CMT report with a recommended way forward.	
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	Summer ash dieback survey for Main Highways Network started at the end of June and will continue over a 14 week period when ash trees are in full leaf and the effects of the fungus are evident and obvious.	
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	Planned Waste Transfer Station works and closures will be undertaken in 2026/27. It is anticipated that the risk will be lowered once these works are completed. Demand remains high across the service, including due to the transfer of food waste as district council collections come online. Very high demand across the Recycling and Household Waste Site service coupled with staff shortages (driver shortages, sickness, planned leave and vacancies), delays / availability at treatment facilities and plant break downs led to the temporary closure of 4 RHWS from early August.	

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 the Council does not take action to tackle climate change, it may be unable to respond adequately to existing and predicted climate impacts, leading to 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. Work is starting on engaging with high-risk service areas to review risk scores and to develop action plans to mitigate the identified climate risks.	↔
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 SEPTEMBER 2024

CRR Risk No	Dept.	Risk Description	Current Risk Score	Reason	Date of Removal
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
1.15	C&FS	If there is insufficient DfE capital funding then the Council could fail to meet its place planning requirements including SEND	I5/L4	This risk has been amalgamated into the redefined risk 7.7	18-Sep-26
9.5	G & E&T	If there are significant changes / clarifications to legislation, policy or guidance then performance could be impacted and cost increases.	I5/L3	Risk impact reduced in line with service risk assessments. For highways, the new risk-based approach to working practices went live on July 1st. This includes a new revised hierarchy, inspection routes, and response times to defects based on risk. As we are now conforming with the Code of Practice this can now be de-escalated. For the waste element the risk score has been amber for some time. They are continuing to assess the potential areas of legislative change and implications as well as responding to consultations but no further specific actions at this stage. The overall risk will remain on the department's register as an amber risk.	18-Sep-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
18 SEPTEMBER 2026

REPORT OF THE DIRECTOR OF CORPORATE RESOURCES

INSURANCE SERVICE – ANNUAL REPORT 2025-26

Purpose

1. The purpose of this report is to present to the Corporate Governance Committee (the Committee) the annual report on work conducted by the Insurance Service (the Service) during the period September 2025 to August 2026.

Background

2. Financial Procedure Rule 31 states that the Chief Finance Officer (CFO) will be responsible for arranging or amending insurance cover. This will be in accordance with policies laid down by the Executive.

3. Standard Financial Instruction 18 (Insurance of Risks) stipulates arrangements for: -

   a. advising the Executive at key stages in the process of any litigation or disputes resolution where the Council is at risk of paying significant damages or costs;
   b. notifying the CFO immediately any fire, loss, liability or damage, or any event likely to lead to a claim;
   c. obtaining prior approval from the CFO and the Director of Law and Governance to the terms of any indemnity which the Council is requested to give:
   d. allowing that a chief officer may arrange to provide insurance cover against risks not normally covered by the County Council as a whole, but such cover must be arranged via the CFO.

4. The Insurance Service (the Service) is a team of approximately 6 FTE. The Service not only arranges insurance cover and handles claims for the Council's own wide range of services, but also (on a traded basis) for ESPO and the East Midlands Freeport. The Service also receives income from administering the Leicestershire Academies Insurance Scheme (LAIS) for academy trusts, predominantly those located within the Leicestershire

boundary. Since October 2024, the Council's remaining maintained schools are also insured under the LAIS. Zurich Municipal are the insurers for LAIS, but with no alternative supplier interest and the scheduled onset of Local Government Reorganisation (LGR) an extension has been approved from September 2026 for up to 4 years.

Work undertaken during 2025-26

Insurance Programme - Annual renewals process

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

6. The tender was set by way of a Lot Structure. Maven Public Sector was the successful bidder in each of the following categories/policies: -

   a. Combined Liability, including Employers and Public Liability,
   b. Professional and Officials Indemnity & Fidelity Guarantee
   c. Property,
   d. Contractors All Risks,
   e. Computers,
   f. Specified All Risks

7. Motor fleet was awarded to Travelers Insurance Group.

8. All of the categories/policies were awarded on the basis of a 3+2+2+2 length of agreement basis with each of the winning bidders providing more advantageous quotations in terms of price and quality than the previous insurer quoted as part of their tender submission. The forthcoming insurance year (October 2026 to September 2027) is the last before the Council or the insurer can trigger break clauses should they be necessary.

9. A significant decision which affects the cost-risk balance is the level of "deductible" (excess) that the Council meets from its own resources and premiums can be reduced by taking a higher deductible. The deductible is generally on a "per claim" basis, although the risk can be reduced further by including an aggregate limit which caps the total annual amount of the Council's exposure. High deductibles expose the Council to greater risk therefore robust risk management across the organisation is essential to reduce both the amounts payable in self-insured amounts and the external premium charged.

10. Since October 2024 the following deductibles/excesses apply: -

- Employers' Liability & Public Liability – £500,000
- Professional Indemnity - £250,000
- Motor Insurance - £5,000 (Own damage only).

11. As part of the annual renewal process, the Council, in conjunction with its appointed insurance brokers, undertakes a comprehensive review of the insurance programme. This includes consideration of any changes to levels of cover, deductibles, and any material changes that may need to be declared for the forthcoming 12-month policy period.

12. The information gathered through this review is subject to challenge and validation by the Council's brokers to ensure it remains appropriate and accurately reflects the Council's risk profile. At the time of compiling this report, renewal terms for 2026-27 hadn't been finalised.

Municipal Mutual Insurance Ltd

13. Municipal Mutual Insurance Limited (MMI), the Authority's insurer between November 1969 and October 1992, ceased writing insurance business owing to financial difficulties in September 1992. MMI became subject to a Scheme of Arrangement which was triggered in November 2012.

14. Once triggered, the Scheme Administrator reviewed MMI's assets and liabilities to determine whether a levy on Scheme Creditors was required. Following a KPMG actuarial review, an initial 15% levy was set in January 2014 to achieve a projected solvent run-off, with a further 10% levy collected in April 2016. As a result, the Council, as a Scheme member, is now self-insured for 25% of future claim payments. While no increase is currently anticipated, the levy may be reviewed and rise above 25% if new claims exceed actuarial projections before all claims are fully run off.

15. In February 2026, the independent broker Gallaghers provided its annual review of the Scheme Administrators report, Within the 2024/25 accounts, the Scheme Administrator indicated a profit of £nil for the company in the past year (2023/24 profit was £nil). Grant Thornton remained as external auditors.

16. Some of the key comments outlined in the Scheme Administrator's strategic review were: -

   a. The current accumulated loss on the balance sheet was £nil as it was in 2023/24
   b. Increased income from investment activities due to higher interest rates.
   c. There has been a strengthening in the 'Incurred, But Not Reported' (IBNR) provision, which reflects increasing costs in the expected number of mesothelioma claims (usually linked to asbestos

exposure) and an increase in the number of abuse claims reported during the year

d. There was a decrease in the number of outstanding claims to 838 (previous year was 911) and a lower number of new claims reported in-year 394 (499).

e. No further increases to the levy (from 25%) are currently anticipated.

17. However, as always Gallaghers comments were caveated with, 'Due to the latent nature of some claims, MMI's independent actuaries (KPMG) projections are subject to substantial uncertainty, and it is not possible to guarantee that the total levy percentage of 25% will remain sufficient'.

18. The impact of possible future adverse claims trends and new legislation is a key risk for potential further deterioration and levy increases. Significant uncertainty remains around asbestos-related disease claims, particularly due to rising treatment costs and inflation impacts, and abuse claims, where legislative changes and court judgments could increase future liabilities for local authorities. Additionally new types of latent claims may emerge in the coming years for which no provisions have so far been made. MMI's actuaries assume that the run-off of claims will continue until 2060, indicating the long-term nature of this uncertainty.

19. At Leicestershire County Council, MMI's position is kept under review especially in terms of the Uninsured Loss Fund. With the onset of LGR (notwithstanding the recently announced pause), the Council will need to ensure that MMI assets and liabilities are appropriately allocated between predecessor, shadow and successor authorities.

Claims handling

20. The Insurance Service employs experienced claims negotiators who handle all liability claims brought against Leicestershire County Council up to the delegated authority limits as agreed with the insurer. Each claim follows a rigorous process set out in law and the Service works closely with departments to ensure claims are being assessed and determined correctly and fairly.

21. Claims handling delegated authority extends to the full process for claims handling of public and employers' liability claims. This includes investigation, determining legal liability and either repudiation (claims where liability is successfully denied) or settlement of the claim as appropriate. The Council's claims team, its Legal Services team, external solicitors and other approved experts, work in partnership to defend litigated claims.

22. Complex and high value claims cannot often be finalised until some years after the incident. As a result, the total cost of claims arising in each year will not be finally known for some years.

23. The amount actually paid from the insurance fund in each financial year (regardless of when the claim originated) on each of the major types of claims is shown below. These self-funded payments, i.e. below the deductible/excess do not include any amounts met by insurers on claims. Amounts paid in an individual year are variable; however, the greatest costs to the Council are from employer's and public liability and property. Within this, employer's liability claims tend to be higher value per claim but are fewer in number. These figures do not include motor claims which are handled by the insurer.

Policy Type	**2023-24 (£000)**	**2024-25 (£000)**	**2025-26 (£000)**
Employer's Liability (EL), Public liability (PL) & Official's indemnity (OI)	176	262	316
Own Property	294	130	0
Professional Indemnity	0	0	0
Total	470	392	316

24. The greatest numbers of claims arise from activities connected to highways maintenance. To maintain the excellent repudiation rates on highways claims (predominantly pothole damage claims) with repudiation regularly over 85%, the Council needs to maintain its scheduled inspection regime and repair defects within the specified timescales to ensure it has a defence to claims. In collaboration with the Insurance Service and Legal Services the Highways Department's risk-based approach to inspection and repairs came into effect from 1 July 2026. Any significant increase in repair times, could impact the Insurance Service claims performance.

25. The most recent balanced scorecard report, 1 July 2025 (Q2) to 30 June 2026 (Q1) reveals a high number of new claims each quarter, high repudiation rates and relatively low payments: -

	Target	**Q2**	**Q3**	**Q4**	**Q1**	**Total/ average**	**24/25**
Number of new insurance cases[1] (all classes)		117	126	302[2]	175	**720**	613
% claimants paid at NIL[1] (EL, PL and OI)	90%	87	91	86	60[2]	**81**	87
Total amount reserved (£m) (LCC only – EL, PL and OI)		4.7	4.0	4.0	3.9	**4.2**	4.9
Total amount paid out (£k) (LCC only – EL, PL and OI)[3]		105	9	460	211	**785**	728

[1] Includes a very small number of ESPO and academies cases

[2] In Q4 there was an increase in the number of pothole claims received, due to prolonged poor weather and deterioration of the network, missed highways inspections and repairs were not completed within policy timeframes. This resulted in more claims having to be paid and therefore the % of claimants paid at NIL is lower in Q1.

[3] For claims closed during the quarter, the total amount paid over their lifetime as at that date

26. Pothole damage is a nationwide concern and (in conjunction with Highways colleagues) the Service regularly receives Freedom of Information (FOI) Environmental Information Regulations (EIR) requests and has to provide answers to questions on (for example): -
    a. number of claims made by drivers regarding pothole damage
    b. total number of claims that resulted in a payout by the council
    c. the total sums the council has paid out in pothole damage
    d. the highest pothole damage claim payout paid

27. During the period September 2025 to August 2026 the Service provided responses to 13 FOI/EIR requests (15 in the previous year).

Preventing risk

28. Claims Managers regularly attend department management teams, service teams e.g. property risk groups, highways inspectors and Health & Safety to provide advice on mitigating the risk of claims.

29. The Service has identified and commenced work on a potential risk exposure associated with construction and capital works being undertaken by Academy Trusts on Leicestershire County Council-owned properties. A review is underway to ensure that adequate insurance arrangements are in place to protect the Council's property interests during such projects, and that relevant stakeholder assurance and monitoring arrangements are considered as part of the wider risk management framework. This work remains ongoing and will continue to be monitored throughout the coming year.

30. The Service has continued to provide support in respect of School Capital Projects. Managing the referral of new school builds and major capital projects to insurers for technical review, helping ensure designs complied with insurer risk management standards and reducing the risk of future insurance issues or costly remedial works.

31. During the reporting period, the Service provided risk-based insurance advice across a wide range of procurements, including commissioned services, technology solutions, professional services and construction projects. Insurance requirements were tailored to the specific risks of each contract, taking account of factors such as safeguarding, professional liabilities, data

protection and public-facing activities. This approach ensured that insurance provisions remained proportionate, robust and aligned with the Council's overall risk management objectives, while supporting the successful delivery of key procurement activities.

Looking forward

32. Work is underway to transition to a replacement claims handling system from early November. This should bring efficiencies to working practices with planned interfaces with other systems and the Service moving away from paper-based claims files.

33. Shortly before circulation of the Committee's agenda, the Secretary of State announced that the LGR process would be paused pending a review. The following section has been kept in the report for information at this stage pending further clarification on the revised LGR timetable. Work is underway to plan for insurance considerations required for LGR. Evidence-based assurance will need to be provided that, on vesting day, the two successor authorities will inherit all assets, liabilities, claims and contractual obligations with no material uninsured exposure and with adequate financial provision for retained risks.

34. LGR insurance transition is a high risk until there is clear assurance on liability transfer, successor authority insurance arrangements, and funding for retained claims. This rating should remain in place until evidence can be provided that: -

    a. All significant liabilities have been identified.
    b. Responsibility for claims has been formally allocated.
    c. Successor authority insurance arrangements have been agreed.
    d. Property, contract and claims data have been validated.
    e. Adequate reserves exist to fund retained risks.
    f. No material uninsured exposures remain unresolved.
    g. Historic insurance details and level of cover details aren't provided.

35. Failure in any of these areas could result in substantial financial liabilities transferring to the new authorities and affecting public services for many years after implementation.

36. The Council's broker Marsh Limited will provide guidance and advice including whether there are benefits of arranging a shadow authority insurance programme providing clear, continuous and dedicated insurance protection for the new authority and its decision-makers during the transition period before vesting day.

37. The planning and implementation of both the replacement system and LGR (including potentially arranging tenders for both insurance covers and brokerage for the new unitary authority), whilst continuing with normal service, are significant capacity risks for a small service.

Resource Implications

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

Equality Implications

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

Human Rights implications

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

Recommendations

41. That the Committee notes the Insurance Service annual report for 2025-26.

Background Papers

The Constitution of Leicestershire County Council

Circulation under the Local Issues Alert Procedure

None

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CORPORATE GOVERNANCE COMMITTEE
18 SEPTEMBER 2026

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

BEST VALUE DUTY – CONSULTATION ON DRAFT REVISED STATUTORY GUIDANCE (2026)

Purpose

1. The purpose of this report is to present to the Corporate Governance Committee (the Committee) the Government's consultation on draft revised statutory guidance on the Best Value Duty (2026).

Background

2. The Best Value Duty, established by the Local Government Act 1999, requires local authorities to secure continuous improvement in services, having regard to economy, efficiency and effectiveness.

3. While earlier arrangements relied heavily on performance indicators, reviews and inspections, the duty itself has remained unchanged. Following governance and financial failures at several authorities, revised statutory guidance was issued in 2024, clarifying expectations and intervention power.

4. The draft 2026 guidance retains the core Best Value principles but places greater emphasis on prevention, self-assessment, assurance, scrutiny and governance maturity, aligning Best Value more closely with good governance and risk management. The Government has invited local authorities to respond to its consultation on the draft guidance by 7 October 2026.

5. A summarised comparison of the 2024 guidance to the draft 2026 guidance is contained in **Appendix 1**.

The draft revised statutory guidance (2026)

6. Links to the full details of the revised draft statutory guidance and the consultation questions are found towards the end of this report in the section 'Background Papers'.

7. The revised guidance focuses on prevention, with the Government, through the Ministry of Housing, Communities and Local Government (MHCLG) aiming to identify and address governance risks before they become serious failures. It aligns with the Government's public service reform agenda by promoting devolution, service integration, and early intervention to prevent issues escalating into crises.

8. The guidance also describes the Government's approach to support and intervention, emphasising the importance of authorities having appropriate arrangements for self-monitoring, self-assessment, effective scrutiny and engagement with early assurance and non-statutory support. Options for statutory intervention remain where the Secretary of State is satisfied that an authority is failing to comply with the Best Value Duty.

9. The proposed framework is based on principles of local accountability, openness to challenge and support, continuous improvement, early prevention, and local ownership of assurance. Intervention is positioned as a last resort, with councils expected to bear the costs of failure wherever possible.

10. Alongside these principles, Government continues to define Best Value through seven interconnected themes: continuous improvement; leadership, governance, culture, use of resources, service delivery and partnerships and community engagement. Each of the seven themes contains a brief introduction and then provides examples of, 'Characteristics of a well-functioning authority' and 'Indicators of potential failure'.

11. A comparison (**Appendix 2**) reveals that the draft 2026 version of the seven themes is noticeably more explicit than the 2024 version, particularly in three ways: -

    a. It moves from principles to observable behaviours.
    b. It introduces more concrete indicators of failure.
    c. It is far more specific about assurance, scrutiny, audit, performance and improvement expectations.

12. The themes themselves have not changed dramatically, but the emphasis has shifted from compliance and oversight towards continuous improvement, organisational learning, stronger governance, and demonstrable outcomes. Expectations are more explicit, providing clearer indicators of both good practice and organisational risk. In particular: -

    a. Continuous improvement is established as a core organisational expectation.
    b. Greater emphasis is placed on organisational culture, with specific indicators of unhealthy behaviours and stronger expectations around openness, learning and constructive challenge.
    c. Leadership expectations are strengthened, with increased focus on the effectiveness of statutory officers, senior leaders and governance arrangements that support independent challenge.

d. Governance requirements are enhanced, with clearer expectations for accountability, assurance maturity and overall effectiveness.
e. Use of resources requires greater financial and resource scrutiny, supported by a clearer framework of financial risk indicators.
f. Service delivery, partnerships and community engagement place increased emphasis on outcomes and demonstrable impact rather than process compliance.

13. The remainder of the guidance sets out a graduated approach to identifying, supporting and, where necessary, intervening in councils at risk of failing their Best Value Duty. It provides a flexible framework of proportionate measures, from early assurance and support to statutory intervention, aimed at preventing failure at the earliest stage.

14. How the Government identifies councils at risk of failure: -

- By monitoring governance, leadership, financial management and sustainability (including commercial activity), service delivery, and organisational culture. The seven Best Value themes provide a consistent framework for assessing performance, identifying emerging risks and informing proportionate engagement where needed
- Using information from audits, regulators, inspections, residents' complaints, MPs, and sector reviews undertaken by other Government departments (e.g. Education, Health & Social Care etc)

15. How the Government engages early to prevent failure: -

- Engage with councils to understand the nature, scale and causes of the issues, and to seek assurance about how they are being addressed, encouraging councils to identify and resolve issues themselves.
- Providing earlier targeted support, for example through the Local Government Association and other improvement bodies.
- Holding discussions with councils when warning signs emerge.
- If Exceptional Financial Support is provided this comes with robust scrutiny of a council’s position.

16. **Escalation process when concerns increase (non-statutory measures)**

- Where concerns arise, the Government may issue an Early Assurance Letter to a council's Chief Executive. This private letter sets out concerns, seeks assurance that improvement action is underway, and gives the council an opportunity to address issues before formal intervention. It is usually followed by ongoing monitoring and engagement for up to 12 months.
- If engagement following an Early Assurance Letter is insufficient, the Government may issue a Best Value Notice. This public letter from Government to a council's Chief Executive sets out serious concerns,

requires regular engagement and evidence of improvement, and may involve an improvement plan, external support or independent oversight. It is normally published and places the council under enhanced monitoring and scrutiny.

- If progress remains inadequate, the Government may escalate to statutory intervention, depending on the seriousness of the issues and confidence in the council's ability to improve.

17. **Formal assessment of failure**

- The Secretary of State can only intervene where there is evidence that a council is failing to meet its Best Value Duty. Decisions are informed by inspections, reviews and audits, and take account of the seriousness of concerns, available evidence, and the council's willingness and ability to improve.

- Independent reviews, audits, inspectorate reports and improvement board assessments can provide evidence of actual or potential Best Value failure. The findings help Government assess the severity of concerns and determine whether improvement can be secured by the council or requires external intervention.

- Where there is insufficient evidence to assess compliance with the Best Value Duty, the Secretary of State may commission a Best Value Inspection. The inspection independently assesses the council's performance, can make recommendations for improvement, and requires the council to cooperate with the agreed scope, inspection team and information requests.

18. **Statutory intervention**

- If the Secretary of State is satisfied that the authority is failing to comply with the Best Value Duty, the Secretary can issue statutory directions to an authority under section 15 of the 1999 Act. This is referred to as “statutory intervention”, of which there are three main models:

    i. Directing the authority to take specific actions.

    ii. Directing the authority to take specific actions with support from an appointed adviser.

    iii. Directing the authority to take specific actions and appointing commissioners to exercise council functions.

- The level of intervention depends on the seriousness of the issues, the council’s capacity and willingness to improve, and the urgency of action. Before intervening, the Secretary of State will usually issue a ‘minded to’ notice, allowing representations from the council and stakeholders before deciding whether formal Directions are necessary

19. **Directions only statutory intervention** - The Secretary of State can direct a council to take specific improvement actions. This may include an improvement plan, progress reporting and external oversight. Directions are time-limited and may be issued with or without advisers or commissioners. They are used where there is evidence of Best Value failure and limited confidence in the council's ability to improve on its own.

20. **Appointing people to support the authority** - To support improvement, the Secretary of State may appoint Best Value Experts, including Ministerial Envoys or Commissioners, with expertise in governance, finance, transformation, or political leadership. Teams may include political advisers to help manage political instability, strengthen decision-making and culture, improve relationships between members and officers, and support councillor development. Experts provide advice, challenge, and, where necessary, may be given powers over specific functions. Appointed by and accountable to the Secretary of State, they work alongside the council, publish regular progress reports, and their costs are met by the council. The Secretary of State may also direct the authority to take actions necessary to comply with the Best Value Duty. Appointments are reviewed regularly to ensure interventions remain proportionate and can end before full operational maturity is achieved.

21. **Commissioner-led intervention** - The Secretary of State may appoint Commissioners to exercise some or all council functions where intervention is needed to secure improvement and compliance with the Best Value Duty. Commissioners typically oversee governance, finance and senior appointments, with powers to direct the authority's actions. In the most serious cases, a Managing Director Commissioner may be appointed to provide leadership capacity and drive cultural change. Such interventions are usually reserved for significant Best Value failures involving major governance, financial or service delivery risks, and concerns about the council's ability or willingness to improve.

22. **Recovery and exit**

    - The final section outlines common features of past interventions, noting that recovery typically progresses through stages of stabilisation, improvement and sustainable governance. These examples are illustrative only; decisions on intervention, escalation and exit remain case-specific and are made by the Secretary of State. Councils recovering from Best Value failure typically progress through stages of stabilisation, improvement and sustainable recovery, broadly reflecting the phases of civil emergency planning

        - **Response**: Immediate action is taken to address financial and service delivery risks, while Best Value Experts assess the issues and support leaders to develop a deliverable improvement plan. Political and officer leaders must demonstrate ownership of the challenges and secure organisation-wide commitment to change.

    - **Recovery**: Once stability is achieved, the focus shifts to strengthening governance, financial management and organisational culture. Improvement plans begin delivering measurable outcomes, supported by assurance arrangements and a clear path to recovery.
    - **Resilience**: In the final stage, the authority demonstrates it can sustain improvement independently and deliver effective, value-for-money services. Decisions to end intervention depend on compliance with the Best Value Duty, the extent to which changes are embedded, and the sustainability of improvements.
- Interventions should end once the authority can sustain improvement without external oversight; perfection is not required.
- The Secretary of State decides whether to end or reduce intervention based on expert advice and evidence of progress.
- Best Value Experts should help develop a clear, evidence-based exit plan tailored to the authority's challenges.
- Where sufficient improvement is achieved, oversight may be reduced or removed, supported by arrangements for continued improvement and assurance.

23. In conclusion the 2026 approach is more flexible because it introduces an additional non-statutory stage (Early Assurance Letters), places greater emphasis on prevention and support, provides more tailored intervention options, and offers more adaptable monitoring and exit arrangements. However, this increased flexibility is paired with stronger central oversight and a broader intervention toolkit.

The County Council's current position against the draft BV guidance (2026)

24. The Government has not asked councils to complete a self-assessment against the draft 2026 guidance. However, the Secretary of State states that any assessment of potential Best Value failure would normally consider the seven Best Value themes, examining whether concerns are isolated or indicate wider corporate weaknesses.

25. When measured against the seven Best Value themes examples of 'Characteristics of a well-functioning authority' and 'Indicators of potential failure', it's evident that the County Council's current governance, financial management and assurance arrangements provide a high degree of alignment.

26. This is demonstrated by evaluating how closely do the Council's key documents and reports align to the seven themes. Analysis was undertaken of the most recent versions of the following evidence: -

A. Local Code of Corporate Governance
B. Financial Management Code
C. Annual Governance Statement
D. Annual Delivery Report and Performance Compendium
E. Overview and Scrutiny Annual Report
F. Members and Officers' Codes of Conduct
G. County Council Constitution
H. External Auditors Annual Report and Audit Findings Report
I. Local Government & Social Care Ombudsman Annual Review, Performance Report and Complaints

27. Outcomes can be analysed as follows: -

Best Value Theme	A	B	C	D	E	F	G	H	I
Continuous impv't	P	P	S	VS	VS	S	S	VS	VS
Leadership	S	S	S	S	S	VS	VS	S	M
Governance	S	S	VS	S	E	E	E	E	S
Culture	P	W	M-S	M	M-S	E	S	M-S	VS
Use of resources	M	VS	S	VS	S	S	VS	E	M
Service delivery	M	M	S	E	VS	M	M-S	S	S
Partnerships etc	S	M	M-S	S	S	S	S	M-S	S

Key

Excellent; **V**ery **S**trong; **S**trong; **M**oderate to **S**trong; **M**oderate; **P**artial; **W**eak

28. In conclusion, the document review indicates substantial alignment between the County Council's existing arrangements and the characteristics in the draft guidance. However, this is a high-level assessment based on the evidence reviewed and should not be treated as a formal assessment of compliance or the likelihood of intervention.

29. The Council's response to the Best Value Duty: consultation on revised statutory guidance is found in **Appendix 3.** The Council supports the revised guidance and its emphasis on prevention, self-assessment, governance, leadership, continuous improvement and proportional intervention. However, the guidance would be strengthened through clearer recognition of internal assurance functions, enhanced support for self-assessment and greater transparency regarding intervention thresholds and evidence requirements.

Resource Implications

30. There are no direct resource implications contained within this report.

Equality Implications

31. There are no specific equality implications contained within this report.

Human Rights implications

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

Recommendations

33. That the Committee: -
    a. notes the report on the Best Value Duty consultation on revised statutory guidance (2026) and
    b. endorses the Council's response to the consultation.

Background Papers

The Best Value Duty draft statutory guidance (July 2026)
https://assets.publishing.service.gov.uk/media/6a6a1a6bce48bb61b11c024a/Draft_Best_Value_Guidance_July_2026.pdf

Best Value Duty: consultation on revised statutory guidance
https://www.gov.uk/government/consultations/best-value-duty-consultation-on-revised-statutory-guidance/best-value-duty-consultation-on-revised-statutory-guidance

Circulation under the Local Issues Alert Procedure

None

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List of Appendices

Appendix 1 - Comparison of the 2024 Guidance vs 2026 Draft Guidance

Appendix 2 - Comparison of the seven Best Value themes 2024 vs draft 2026

Appendix 3 - Response to consultation on revised Best Value Duty guidance (2026)

Comparison of the 2024 Guidance vs 2026 Draft Guidance **Appendix 1**

Theme	2024 Statutory Guidance	2026 Draft Guidance	Audit & Assurance Implications
Primary Focus	Defines Best Value standards and intervention arrangements.	Greater emphasis on prevention, early identification of risk and organisational resilience.	Increased focus on assurance over emerging risks and organisational health.
Approach to Compliance	Demonstrating compliance with Best Value standards and themes.	Stronger expectation of self-monitoring, self-assessment and evidence-based improvement.	Committees may require periodic Best Value self-assessments and assurance reporting.
Governance & Scrutiny	Governance identified as a component of Best Value.	Greater emphasis on effective scrutiny, challenge and assurance arrangements.	Enhanced role for Audit & Assurance Committee in challenging management assurances.
Intervention Model	Describes statutory and non-statutory intervention where failure occurs.	Retains intervention powers but places greater emphasis on avoiding failure through earlier engagement and support.	Focus shifts from response to prevention.
Risk Management	Prevention is a guiding principle.	Prevention becomes a central expectation supported by assurance and early-warning arrangements.	Stronger expectation that risk information informs corporate decision-making.
Policy Context	Developed primarily in response to governance and financial failures in local government.	Aligned with public service reform, devolution, service integration and prevention.	Best Value increasingly linked to wider organisational effectiveness rather than solely compliance.

Key Message for the Corporate Governance Committee

> **The 2026 draft guidance does not fundamentally change the Best Value Duty itself but shifts the emphasis from identifying and responding to failure toward prevention, self-assurance, effective scrutiny and continuous organisational improvement.**

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Comparison of the seven Best Value themes 2024 vs draft 2026 **Appendix 2**

BV Theme	2024 Version	2026 Version	How 2026 is More Explicit
1. Leadership	Focus on effective political and officer leadership, clear direction, and organisational vision.	Greater emphasis on leadership capacity, stability, succession planning, statutory officer influence, and constructive challenge.	Moves from describing good leadership to identifying specific risks such as vacancies, overreliance on interims, weak challenge, and ineffective statutory officer arrangements.
2. Governance	Covers decision-making, transparency, accountability, and legal compliance.	Includes stronger expectations for audit committees, risk management, cyber governance, external audit engagement, governance of companies and partnerships, and assurance frameworks.	Much clearer about what good governance arrangements should look like and how they can be evidenced.
3. Culture	Focuses on ethics, openness, transparency, whistleblowing, staff engagement, and respectful behaviours.	Retains these areas while explicitly identifying punitive cultures, groupthink, organisational hubris, resistance to challenge, and failure to learn from mistakes.	Provides clearer behavioural indicators of both healthy and unhealthy cultures.
4. Use of Resources	Focuses on financial management, value for money, and sustainable resource use.	Expands to include reserves management, borrowing, treasury risk, procurement, commercial activity, company governance, finance capacity, and financial sustainability.	Introduces much more detailed financial warning signs and assurance expectations.
5. Partnerships and Communities	Emphasises engagement with communities and partnership working.	Greater focus on partnership effectiveness, stakeholder relationships, co-	Moves beyond engagement to assessing whether partnerships actually deliver results.

		production, place leadership, and joint accountability for outcomes.	
6. Service Delivery	Focuses on delivering quality services and achieving outcomes.	Stronger emphasis on performance management, benchmarking, complaints analysis, demand management, prevention, and comparative outcomes.	More measurable, evidence-based expectations around performance and outcomes.
7. Continuous Improvement	Encourages learning, review, scrutiny, and organisational improvement.	Introduces explicit expectations for peer challenge, sector support, self-assessment, improvement planning, audit and scrutiny effectiveness, and evidence of learning.	Changes from a general aspiration to a structured improvement framework with identifiable assurance mechanisms.

Summary of the Shift

2024	2026
Principles-based	Evidence-based
Diagnostic framework	Assurance framework
Describes characteristics of success	Identifies characteristics of success and failure
Broad expectations	Observable behaviours and controls
Limited audit focus	Explicit role for audit, scrutiny and assurance
High-level red flags	Detailed warning indicators and improvement expectations

Leicestershire County Council Response to the Best Value Duty Consultation (Questions 1–21)

Respondent: Leicestershire County Council
Contact: Head of Internal Audit & Assurance

Q1. Do you agree with the scope of this guidance?

Yes.

The Council supports the broad scope of the guidance and welcomes its focus on leadership, governance, culture, financial sustainability, service delivery and continuous improvement. These areas align with the Council's Local Code of Corporate Governance, Annual Governance Statement process and corporate assurance framework.

Q2. Do you agree with the six guiding principles?

Yes.

The principles provide an appropriate balance between local accountability and government oversight. We particularly support the emphasis on prevention, local ownership and openness to challenge, all of which are critical to sustainable improvement and early identification of risk.

Q3. Do you agree with the seven Best Value themes?

Yes.

The seven themes provide a comprehensive framework for assessing Best Value. They appropriately recognise the relationship between governance, leadership, culture, service performance and resource management and reflect the factors commonly seen in both successful authorities and those subject to intervention. However, it should recognise that there are multiple ways that an authority could seek external guidance and support which may depend on different local circumstances and the support needed

Q4. Are there any Best Value themes missing?

No.

The themes are comprehensive. However, greater emphasis could be placed within the existing framework on digital transformation and cyber resilience given their increasing importance to effective service delivery and long-term sustainability. Risk management should also be more clearly reflected across the themes. The same core standards should apply to all authorities, although the evidence used to assess compliance should reflect their statutory functions and local circumstances.

Q5. Continuous Improvement

Yes.

The proposed characteristics are appropriate. Authorities should demonstrate robust performance management, benchmarking, learning from audit and inspection activity, and a commitment to continuous improvement.

Q6. Effective Leadership

Yes.

Strong political and officer leadership is essential to delivering Best Value. The guidance should further emphasise the collective responsibility of elected members, Chief Executives and Statutory Officers in maintaining organisational resilience and effective governance. The guidance could place stronger emphasis on maintaining trust and respect between members and officers and having a robust member/officer protocol in place and ensuring that statutory officers are able to provide independent advice and escalate concerns where necessary.

Q7. Governance

Yes.

The governance characteristics are appropriate and align with recognised good practice. The guidance should ensure that evidence from Audit Committees, Internal Audit, risk management arrangements and Annual Governance Statements is appropriately considered and weighted when assessing the overall effectiveness of an authority's governance.

Q8. Culture

Yes.

We strongly support the inclusion of culture as a standalone theme. A positive culture that promotes challenge, transparency, accountability and learning is often the strongest safeguard against organisational failure. The guidance should also reference staff engagement and speaking-up arrangements.

Q9. Use of Resources

Yes.

The proposed characteristics appropriately recognise financial stewardship and sustainability but should also recognise structural funding issues as a trigger for lack of financial resilience. Greater emphasis should be placed on medium-term financial resilience, demand forecasting, workforce planning and transformation capability.

Q10. Effective Service Delivery

Yes.

We support the proposed characteristics. Assessments should focus on outcomes for residents, service quality and value for money. The guidance should recognise that authorities operate within differing demographic and economic circumstances, and performance should therefore be assessed within local context.

Q11. Partnerships and Community Engagement

Yes.

Partnership working is increasingly critical to delivering outcomes for residents. We support the emphasis on collaboration with health partners, district councils, police, fire services and the voluntary sector, particularly in relation to prevention and integrated service delivery. The guidance should recognise that the strength of partnership working may not always be in the control of the local authority.

Q12. Is the support and intervention framework sufficiently clear?

Not entirely,

Although the framework describes a graduated approach to support and intervention, it is not sufficiently clear how the diagnostic process will operate in practice. Further clarity is needed on how the indicators will be gathered, weighted and assessed; the period over which concerns will be considered; and the thresholds for different levels of engagement or intervention. The assessment should not operate as a one-size-fits-all quantitative exercise. It should include engagement with the authority, proper consideration of local context and an opportunity for the authority to respond to concerns before escalation.

Q13. Are the non-statutory tools sufficiently clear?

Yes.

The focus on prevention and early support is welcome. Authorities should be able to select the form of sector-led or other support most appropriate to their circumstances. Options might include peer challenge, governance health checks and engagement with statutory officers, Audit Committee Chairs and Heads of Internal Audit, where appropriate.

Q14. Are there other ways government could engage earlier?

Yes.

Government should consider:

- Voluntary governance and financial resilience health checks.
- Earlier engagement with statutory officers and Audit Committee Chairs.
- Greater use of Annual Governance Statements and Internal Audit evidence.

These approaches would support prevention and reduce the need for formal intervention.

Q15. Are approaches to assessing compliance sufficiently clear?

Not entirely.

The use of multiple evidence sources is appropriate but at the moment it is not clear how the volume of indicators would be used together to arrive at a conclusion. Greater clarity is needed on how the indicators and different sources of evidence will be weighted and considered together. The guidance should explain how local context, qualitative evidence and representations from the authority will inform the assessment, to promote consistency, transparency and procedural fairness.

Q16. Are intervention models sufficiently clear?

Yes.

The intervention models are broadly clear and appropriately recognise the need for proportionality. Practical examples of when each intervention model may be applied would help improve consistency and understanding. Authorities should be given clear reasons for the intervention model selected, together with measurable requirements and arrangements for regular review.

Q17. Are intervention phases sufficiently clear?

Yes.

The progression from stabilisation to recovery and resilience is logical. The framework would benefit from clearer success measures and exit criteria attached to each phase, together with transparent criteria for escalating, varying or reducing an intervention.

Q18. What are the key indicators that intervention can end?

Key indicators should include:

- Stable political and officer leadership.
- Effective governance arrangements.

- Evidence of effective internal and external audit arrangements, with audit findings being addressed appropriately.
- Effective Audit Committee and scrutiny arrangements.
- Improving medium-term financial plans.
- Positive organisational culture.
- Improved service performance.
- Successful delivery of improvement plans.
- Reduced reliance on external support.

Further consideration would need to be given on how these would be measured. Intervention should only end where improvement is demonstrably sustainable.

Q19. Do you agree with post-intervention support and monitoring?

Yes.

We support a proportionate period of post-intervention support to ensure improvements are embedded and sustainable. The proposed approach appropriately balances assurance with local ownership.

Q20. Other post-intervention support mechanisms?

Government should consider:

- Follow-up peer reviews.
- Continued access to improvement advisers.
- Governance health checks.
- Leadership mentoring.
- Enhanced sector-led support and challenge.

Support should be reduced gradually as confidence and organisational capability increase.

Q21. Are there any areas missing from the guidance?

Yes.

We believe the guidance should include greater reference to:

- The role of Internal Audit.
- Audit Committee effectiveness.
- Annual Governance Statements.
- Organisational resilience and business continuity.
- Workforce planning and succession arrangements.
- Digital transformation and cyber resilience.

- A national Best Value self-assessment framework or maturity model for optional use as part of a Council's assurance framework.

A standard self-assessment framework would improve consistency, support benchmarking and provide authorities with a clearer means of demonstrating compliance with the Best Value Duty.

Overall Conclusion

Leicestershire County Council supports the revised guidance and its emphasis on prevention, self-assessment, governance, leadership, continuous improvement and proportional intervention. We believe the guidance would be strengthened through clearer recognition of internal assurance functions, enhanced support for self-assessment and greater transparency regarding intervention thresholds and evidence requirements.