

**CORPORATE GOVERNANCE COMMITTEE – 24 NOVEMBER 2025****REPORT OF THE DIRECTOR OF CORPORATE RESOURCES****RISK MANAGEMENT UPDATE****Purpose of the Report**

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

Corporate Risk Register (CRR)

2. Within the County Council's Constitution (revised December 2024), the Terms of Reference at Section 2: Governance and Risk places a responsibility on the Committee, '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 19 September 2025), are shown in **Appendix A**. Corporate risks reflect the Council's Strategic Plan (2022-26), which was approved by the County Council on 18 May 2022 and refreshed for 2024-26.

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

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

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

Risk amended

1.12 Chief Executives – Developer contributions

6. Change from: If developer contributions are not secured, are not sufficient to cover costs or are not spent efficiently then there could be a failure to pay for roads, schools and other essential infrastructure.

Change to: 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.

Rationale: The original risk description was written some time ago and the issues are increasing. Ownership of the wider risk is transferring to Environment & Transport, and it is an appropriate time to refresh the risk description.

Presentation

7. Given the redefinition and transfer of the risk explained above, a presentation will be provided on the strategic approach to managing the impact of growth in Leicestershire.

Emerging risks

Artificial intelligence

8. Artificial Intelligence (AI) technologies are increasingly integrated into systems the Council already uses. Examples include AI features in Adobe Creative Cloud and a pilot project which uses AI to transcribe service user conversations as part of the adult social care System C. The technologies offer productivity and service delivery benefits but also introduce risks including: -

- Unlawful data processing
- Legal and ethical issues
- Over-reliance
- Scope creep
- Reputational damage
- Inaccurate outputs
- Bias in decision-making

Mitigations

9. The Council supports responsible AI adoption . AI brings new ethical, cybersecurity, data protection, and staffing challenges. Teams must follow stricter safeguards, involve relevant officers early, and expect more steps in procurement depending on risk. The Council follows national standards, including the UK's National AI Strategy, the AI Regulation White Paper, and the Information Commissioner's Office (ICO) guidance. An **AI Policy and Procedure** is in place and will evolve with future changes. Staff must follow this policy when requesting, developing, or using AI. Non-compliance, such as bypassing processes or using personal devices, can lead to legal, security, and reputational risks, and may result in disciplinary action.
10. Before requesting AI, teams must identify a clear business need and engage IT Business Partners, Information Governance, and Commissioning Support. Required assessments include: -
 - Equality & Human Rights Impact Assessment
 - Data Ethics Workbook
 - Data Protection Impact Assessment and Information Security Risk Assessment
 - The ICO's AI and Data Protection Risk Toolkit (for personal data)

These steps apply to upgrades too. Staff must not bypass them.

11. Other mitigations include training, testing, regular reviews, and change management.
12. The policy provides guidance on automated decision-making, emphasising human oversight and validation. AI outputs must be monitored for accuracy and reliability. The policy also addresses potential staffing impacts and associated anxieties around AI. At the time of writing this report Information Governance is in the early stages of reviewing the policy now that the Council has started to bed in AI applications.
13. An internal audit of the Use of Artificial Intelligence is being scoped with a primary objective to provide assurance to management on the way in which the use of Artificial Intelligence (AI) within LCC is governed, deployed, secured and aligned with relevant standards. The outcome will be reported in an Internal Audit Service Progress v Plan report (potentially 27 March 2026).

Local Government Reorganisation (update)

14. At the time of writing this report, the Business Case was in its final stages of completion and will be considered by Scrutiny Commission and Council in November, prior to submission to government. The Business Case puts a single council unitary for Leicestershire and Rutland forward as its preferred option, based on a balanced appraisal against the governments criteria. Joint financial modelling with Leicester City Council has been completed to meet the governments preference for the use of consistent data and assumptions, and the outcome of this modelling has been incorporated into the business case and informed the position on the preferred option.

Counter fraud updates

15. Now that the Committee receives an Annual Counter Fraud Report (ACFR) which is scheduled to be published in June each year, only significant items will be reported at Committee meetings outside of the ACFR reporting cycle.

Anti-Fraud & Corruption Policy – Two-Yearly Action Plan

16. The Council refreshes its Anti-Fraud & Corruption Policy on a two-yearly basis. As part of each refresh cycle, a two-year action plan is developed covering a range of intended actions over the course of the Policy, designed to improve the Council's resilience to fraud yet further.
17. The current action plan covers the period 2024-2026. Appended is the latest position, mid-term, with regards to the implementation of actions (**Appendix B**). This position shows: -
 - a. Actions Completed – 13
 - b. Actions In Progress – 2
18. The expectation is that all actions will be completed by the end of the two-yearly cycle.

National Fraud Initiative (NFI) 2024-26

19. The Council is an active participant in the National Fraud Initiative (NFI). The NFI is a mandatory data-matching exercise coordinated by the Cabinet Office which seeks to identify potential anomalies and fraud through matching the Council's data sets, e.g. payroll, pensions, creditors, employee data (potential conflicts of interest), blue badges, concessionary travel, etc., with those of other mandatory participants, including the Department for Work and Pensions deceased persons data and company director data held at Companies House.
20. The output reports for the NFI 2024-26 were released back to participants by the Cabinet Office in December 2024. The Internal Audit Service holds the role of NFI key contact and co-ordinates the exercise on behalf of Leicestershire County Council (LCC). Initial triage and data quality checks were conducted by Internal Audit staff to eliminate false positives and ensure the accuracy of the data. Once this preliminary work was completed, each report was distributed to

the relevant officers or service areas within Leicestershire County Council (LCC) for further investigation.

21. To date no instances of fraudulent activity have been noted from the investigations undertaken although there were cases of error noted (duplicate creditors set up) and policy not being followed (declarations of interests, specifically secondary employments). Weaknesses were also noted in the identification and subsequent actioning of deaths for individuals in receipt of blue badges (disabled parking permits) and concessionary travel passes.

International Fraud Awareness Week 2025 (16-22 November 2025)

22. To coincide with International Fraud Awareness Week (IFAW), the Internal Audit Service (IAS) issued targeted comms to staff during the week via the Corporate Intranet and other means on a range of fraud risk areas. This includes cyber fraud, undeclared secondary employment, fraud awareness training, the new 'Failure to Prevent Fraud' offence and the highlighting of common frauds and scams.
23. A strong and continuous process of raising awareness of fraud risk with staff remains a key defence against fraud and IFAW each year provides an ideal opportunity to convey important messages.

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 Artificial Intelligence and Local Government Reorganisation (update)
- d. Notes the counter fraud updates

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, 17 November 2023, 26 January, 20 May, 16 September and 6 December 2024, 24 January, 31 March, 23 June and 19 September 2025.

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Appendices

Appendix A - Corporate Risk Register Update (September/October 2025)
Appendix B - Counter Fraud Two Yearly Action Plan 2024-26