

Leicestershire County Council

Interim Auditor's Annual Report
Year ending 31 March 2025

13 November 2025



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The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting, on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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01 Introduction and context

Introduction

This report brings together a summary of all the work we have undertaken for Leicestershire County Council during 2024/25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 31 of the Local Audit and Accountability Act 2014, the auditor of a local authority may make an application for judicial review of a decision of that authority, or of a failure by that authority to act, which it is reasonable to believe would have an effect on the accounts of that body. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024/25

National		Present		Future	
Past					
	Funding Not Meeting Need The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.		Financial Sustainability Many councils continue to face significant financial challenges, particularly in relation to demand led services. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.		Funding Reform The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.
	Workforce and Governance Challenges Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.		External Audit Backlog Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.		Reorganisation and Devolution Many councils in England will be impacted by reorganisation and / or devolution, creating capacity and other challenges in meeting business as usual service delivery.
Local					

Leicestershire County Council is an upper tier local authority with 55 councillors who are elected every four years. The Council has around 6,100 employees (excluding schools). Leicestershire covers an area of 208,000 hectares, with a population of around 734,000 people. 82% of Leicestershire’s area is classified as rural while 70% of the population live in towns and urban areas. The annual budget is around £570m. The Council recognises it faces significant financial challenges, needing to save a total of £176m, across the General Fund and Dedicated Schools Grant, by 31 March 2029. The Council is also one of those affected by the government’s plans for Local Government Reorganisation – please see the next page for more information.

It is within this context that we set out our commentary on the Council’s value for money arrangements in 2024/25.

Grant Thornton Insights – Local Government Reorganisation (LGR)

National perspectives – devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a two-tier system were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new Unitary Councils from April 2028.

Local perspectives – LGR in the Leicestershire and Rutland region

Leicestershire County Council and Leicester City Council believe that the best option for Leicester and Leicestershire is a two unitary model, one City, one County, although there are differing views on the need for boundary extension.

The seven district councils in Leicestershire and Rutland County Council have proposed creating three unitary councils to govern the region. This would see the creation of three unitary councils: one for North Leicestershire and Rutland, one for South Leicestershire, and one for Leicester City, based on existing boundaries.

Our discussions with the councils in the region indicate there has been collaboration between officers to progress the LGR agenda but there is currently no consensus around a single model.

Grant Thornton insight

What the Council is already doing

- Active participation of Officers in the governance and options appraisal process.
- Consideration of LGR compatibility in contract renewal and capital investment decisions.
- Safeguarding responsible financial decisions in the medium-term including use of reserves.
- Modelling potential outcomes to discuss with Members and establish political priorities.

What the Council should consider

- Continuing to engage constructively with the LGR process
- Working with partners towards a single proposal which maximises Value for Money for Leicester, Leicestershire and Rutland.
- Making advance preparations for member and public engagement within a tight timeframe.
- The potential cost of transition for the council and how this will be funded.

02 Executive Summary

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Executive Summary – our assessment of value for money arrangements

Our overall summary of our Value for Money assessment of the Council’s arrangements is set out below. Further detail can be found on the following pages.

Criteria	2023/24 Assessment of arrangements	2024/25 Risk assessment	2024/25 Assessment of arrangements
Financial sustainability	A No significant weaknesses identified; two improvement recommendations raised in respect of developing savings and one in respect of the Dedicated Schools Grant deficit.	Two risks of significant weakness identified in relation to developing further savings plans and addressing the Dedicated Schools Grant deficit.	R One significant weakness identified in respect of the Dedicated Schools Grant deficit and a key recommendation made. One improvement recommendation raised in respect of bridging the Medium-Term Financial Strategy funding gap.
Governance	A No significant weaknesses identified; three improvement recommendations raised in relation to internal audit, decision making and the Freeport.	No risks of significant weakness identified.	A No significant weaknesses identified; two prior year recommendations in respect of a three year Internal Audit plan and reporting on contract exceptions are in progress and carried forward.
Improving economy, efficiency and effectiveness	A No significant weaknesses identified; two improvement recommendations raised in respect of Education Health Care Plans and contract award exceptions.	No risks of significant weakness identified.	A No significant weaknesses identified; one improvement recommendation raised in respect of responding to the September 2025 Care Quality Commission inspection report.

- G

No significant weaknesses or improvement recommendations.
- A

No significant weaknesses, improvement recommendation(s) made.
- R

Significant weaknesses in arrangements identified and key recommendation(s) made.

Executive Summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.



Financial sustainability

In 2024/25 the Council reported an underspend against its £567.6m budget of £8.8m, which meant that the planned use of reserves was not needed. The Medium-Term Financial Strategy includes significant sums for increased demand in key services and pay and price inflation. The Council has appropriate arrangements to identify savings. However, the forecast is for a gap of £91m by 2028/29. While some benefits are expected, which will reduce the gap, the Council still faces a significant challenge in bridging the gap and we have raised an improvement recommendation.

Like many others, the Council faces a significant and growing threat to its finances due to the Dedicated Schools Grant deficit which is forecast to be £118m by 2028/29 and, by March 2030, the cumulative deficit could be £260m. At period six 2025/26 this figure has increased to £400m. We have made a Key Recommendation.



Governance

The Council has reasonable risk management, counter fraud and internal audit arrangements in place. Whistleblowing, complaints and compliments are monitored and reported.

Budget setting and in-year financial reporting provides a timely and clear picture of the Council's financial position and challenges.

Reporting to Cabinet is appropriate, but there is scope for Members to work more constructively together.

The Council has appropriate arrangements to ensure that it meets legislative and regulatory standards where it procures or commissions services and the Constitution was refreshed to include the changes to the Procurement Act.



Improving economy, efficiency and effectiveness

Cabinet receives annual performance reports, with Overview and Scrutiny Committees receiving reports covering their areas. There is scope to report to Cabinet more frequently.

The Council responds positively to external inspections and is developing an action plan in response to the Care Quality Commission report released in September 2025 which assessed arrangements as "Requires Improvement". We have raised an improvement recommendation.

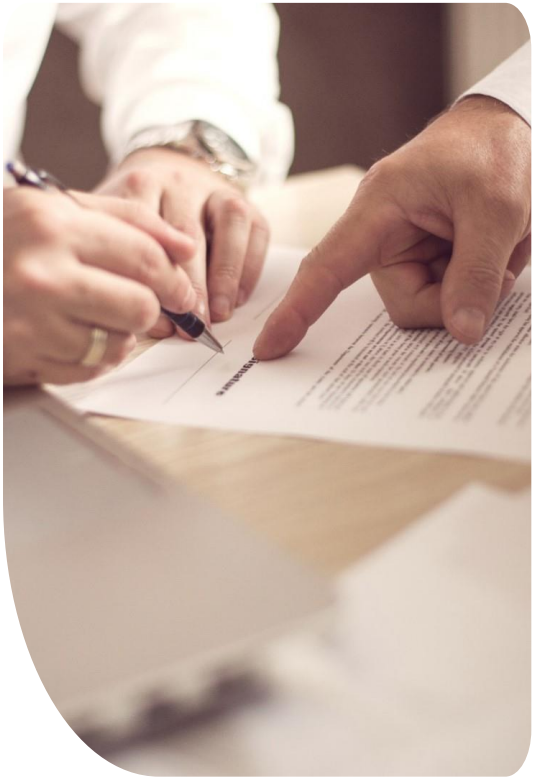
An innovative approach to processing Education Health Care Plans has seen a significant improvement in performance.

The Council has appropriate partnership working and procurement arrangements.

Executive summary – auditor’s other responsibilities

This page summarises our opinion on the Council’s financial statements and sets out whether we have used any of the other powers available to us as the Council’s auditors.

Auditor’s responsibility	2024/25 outcome
Opinion on the Financial Statements	Our audit is substantially complete, and we anticipate providing an unmodified opinion before the end of the year in accordance with the timeline in the initial audit plan.
Use of auditor’s powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our audit is substantially complete, and we anticipate providing an unmodified opinion before the end of the year in accordance with the timeline in the initial audit plan.

The full opinion will be included in the Council's Annual Report for 2024/25, which will be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 and of its expenditure and income for the year then ended
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts in line with the national deadline of 30 June 2025.

Draft financial statements were of a reasonable standard and supported by detailed working papers. However, certain aspects of the audit and accounts process took longer than anticipated. In particular, some initial data provided required further detailed analysis, which extended the time between receipt of the working papers and the audit team being able to generate samples to share with the Council.

To date we have not identified any adjusted misstatements, however we have identified a number of misclassification and disclosure adjustments that the Council are planning to amend.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. Requests for this Audit Findings Report should be directed to the Council.

Opinion on the pension fund statements

This page set out the key findings from our audit of the pension fund financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

We are required to issue:

- our opinion on the pension fund financial statements contained within the Council's Statement of Accounts and,
- our auditor's consistency report that the 2024/25 Leicestershire County Council Pension Fund financial statements within the Pension Fund Annual Report are consistent, in all material aspects, with those within the Council's audited 'Statement of Accounts, Annual Governance Statement and Pension Fund Accounts'.

We will present our Audit Findings Report to the Corporate Governance Committee on 24 November 2025. We intend to issue an unqualified opinion and an unqualified consistency report following the completion of the Council's audit (as Administering Authority).

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial transaction of the Pension Fund during the year ended 31 March 2025 and of the amount and disposition at the date of the fund's assets and liabilities, other than liabilities to pay promised retirement benefits after the end of the fund year;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on local authority accounting in the United Kingdom 2024/25; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Pension Fund provided draft accounts in line with the national deadline.

Draft financial statements were of a reasonable standard and supported by detailed working papers.

We have not identified any adjustments to the financial statements that impact upon the Pension Fund's reported financial position. We identified two unadjusted misstatements as follows:

- Level 3 investments as at 31 March 2025 were overstated by £5.946m due to timing delays of receipt of March valuations from Fund managers.
- interest income is overstated by £3.991m as management used the maturity date of the short-term loans instead of the year end date. This led to interest income being overstated. Investment income was overstated in the 2023/24 financial statements, as such the reversal of this accrual into 2024/25 means investment income is understated by the same value.

We also identified a number of presentation adjustments the Pension Fund are proposing to amend for. We have not raised any new recommendations for management as a result of our audit work this year but there are two from the prior year which are still being progressed.

We propose to issue our 'consistency' statement at the same time as we issue our final audit opinion on the Pension Fund financial statement as noted above. The statutory deadline for the Pension Fund Annual Report to be published is 1 December 2025. If this is before the Council audit is completed the Fund will need to publish its Annual Report without our consistency report but with an explanation for the delay on its website.

Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting, or is misleading or inconsistent with the information of which we are aware from our audit.

We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.



04 Value for Money commentary on arrangements

Value for Money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All Councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:



Financial sustainability

Arrangements for ensuring the Council can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

Arrangements for ensuring that the Council makes appropriate decisions in the right way. This includes arrangements for budget setting and budget management, risk management, and making decisions based on appropriate information.



Improving economy, efficiency and effectiveness

Arrangements for improving the way the Council delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them (continued)	For 2024/25 the Council reported a revenue underspend of £8.8m on an updated budget of £567.6m. This included an overspend of £5m on the Children's Social Care Placement budget due to an increase in the number of placements and an underspend of £17.3m in Adults and Communities primarily due to lower demand than anticipated. Forecasting need for demand-led services is difficult, and the Council has reasonable arrangements in place to do this. The planned £6.4m contribution from reserves was not needed. £4m will be added to the General Fund reserve, taking it to £25m. This equates to 4.1% of the net revenue budget and is in-line with the reserves policy. The capital programme was underspent by £34.1m on an updated budget of £168.2m, with the underspend carried forward into 2025/26. The underspend sits largely in the Environment Directorate (£20.6m) and Corporate Services (£14.0m). Key items of expenditure and variances are explained and considered reasonable. The 2025/26 budget is balanced only through the planned use of £4.7m of earmarked reserves. The Council is clear that use of reserves allows time for the funding gaps to be addressed without cutting services. To ensure that the Medium Term Financial Strategy (MTFS) is a credible financial plan, the Council has built in unavoidable cost pressures. By 2028/29 this represents an investment of £107m, primarily to meet the forecast increase in demand for social care. The MTFS also includes a net £92m provision for pay and price inflation in 2025/26 and later years. Both it, and the 2025/26 budget, are based on reasonable assumptions.	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
(continued) identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	In respect of the Dedicated Schools Grant (DSG), for 2025/26 the Council reported a net overspend of £16.3m, comprising £23.2m on High Needs Block (HNB) and a £5.0m underspend on Early Years. The cumulative HNB deficit is now £64m and is forecast to be £118m by 2028/29. This represents a significant financial risk to the Council and we have raised a Key Recommendation on page 21. The MTFS 2025-29 projects a gap of £4.7m in 2025/26; £38m in 2026/27, £62m in 2027/28 and £91m in 2028/29. £85m of savings have been identified, with a further £91m of GF savings requiring identification. Unless savings are achieved this will be funded through reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025. Whilst the MTFS gap is significant, the Council has a reasonable level of reserves and is anticipating some additional income which may reduce the gap in future years. Despite this, the level of unidentified savings represents an area of financial risk to the Council and we have raised an Improvement Recommendation on page 22. We understand the Council has commissioned an external Efficiency Review to support it in identifying savings and closing the budget gap. Some initial findings are expected to be reflected in the draft budget report in December. We have also identified some notable practice in respect of managing costs within Adult Social Care and have highlighted this on page 23.	R

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Council does not publicly report savings against a tracker or risk rating. Savings are taken out of the budget and Officers believe that reporting on savings targets separately could cause confusion with reporting against the budget as a whole. While this approach is not unreasonable, many councils do report savings delivery in some detail within quarterly finance reports as it enhances transparency for Members, service users and the public, especially where savings are the result of difficult decisions. Reporting savings separately would also enable an analysis of year on year performance and provide greater transparency on the level of savings the Council has already made. The Council begins looking at potential savings with the Corporate Management Team generating ideas alongside support from business partners. This is shared with Members in early Summer and then again in November before the draft MTFS is published in December. Officers develop a list of savings initiatives, for Member consideration before further work being undertaken to fully develop the schemes going forward. This enables appropriate stakeholder engagement. We tested a small number of 2025/26 savings schemes, totalling £5.2m, and found them to support the planned savings. The 2025/26 budget includes £13m of savings with £33.4m across the MTFS. Recognising the scale of the challenge the Council faces to address its forecast funding gap, particularly with increasing demand and costs for key services coupled with uncertainty over future funding, we have raised an improvement recommendation in the previous criterion. As that also applies here, we have rated this criterion as “Amber”.	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council's MTFS and annual budget, together with supporting strategies, are aligned to its Strategic priorities and aims. For example, the capital programme includes £2m to improve recycling household waste sites, which is one action within the Strategic Plan. The Council also ensures it prioritises statutory services such as children's services and adult social care.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's strategic objectives are underpinned by, and aligned to, other key plans such as the People Strategy , Corporate Asset Management Plan and Capital Programme. Each of these plans include objectives and how they will be achieved. The Capital Programme includes projects to support the Council in moving towards "Net Zero", including £8.8m for zero emission buses which is linked to the aim of reducing CO2 emissions. The Capital Programme invests in priority areas of growth including roads, infrastructure, economic growth and to support delivery of essential services. It is clear that no discretionary capital schemes will be added to the programme unless fully funded by external sources.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	In-year finance reports clearly explain the key financial challenges and risks the Council faces. These tend to be demand-led services. The Corporate Risk Register includes an overarching MTFS risk, with eight specific sub risks covering service areas. The 2025/26 budget setting report includes key risks which are accompanied by explanations and mitigations plus a risk rating. Risks include inflation, none achievement of savings, SEND growth, the impact of increases to the National Living Wage, Local Government finance reforms and the impact of national service reforms. Mitigations include holding reserves and £8m a year contingency. The report also includes some scenario analysis on key variables such as pay, non pay and business rates growth.	G

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- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Financial sustainability (continued)

Significant weakness identified in relation to the Dedicated Schools Grant deficit

Key Finding: For 2024/25 the Council has reported a net Dedicated Schools Grant (DSG) overspend of £16.3m, comprising £23.2m on High Needs Block and a £5.0m underspend on Early Years. The cumulative funding gap is now £64m and is forecast to be £118m by 2028/29. In our prior year report we note "At the start of 2023/24, the Council had an accumulated deficit on the High Needs Block (HNB) of DSG amounting to £35.5 million and by the end of 2023/24 this had increased to £41.2 million." We raised an improvement recommendation.

Evidence: The Council is part of the Department for Education's "Delivering Better Value" programme and has been successful in making use of service information and key performance indicators to identify opportunities for further improvement. The Council has also been successful in reducing both Education Health Care Plan (EHCP) demand and the assessment backlog. This is filtering through to ensuring appropriate decisions are made consistently and children placed in suitable settings. Through adopting an innovative approach that complies with the legislation, the Council has made significant progress in improving the time it takes to process EHCPs. The Council recognises that it can do more to support and encourage parents that EHCPs are not always required and that enabling children to stay in mainstream schools can be better for them. Despite the measures put in place the deficit continues to grow.

Impact: The Government intends to extend the Statutory Override allowing the overspend to be treated as a negative reserve to 31 March 2028. However, the Council still needs to fund the in-year overspending. The draft 2024/25 financial statements show a General Fund balance of £25.7m and Earmarked Reserves of £279.9m. Of these, £92.1m relates to a "Budget Equalisation" reserve, which could potentially be repurposed should the need arise. The Council therefore has sufficient reserves to cover the forecast £118m deficit, but would essentially use all of its reserves in doing so, leaving no resilience for other risks. For 2025/26 the Council is forecasting a £41.8m overspend on DSG, with the High Needs Block forecast overspend of £45m which is £30m more than budgeted for. This is after the Transforming SEND in Leicestershire Programme savings of £12m. The Council estimates that, by March 2030, the cumulative deficit could be £260m. At period six 2025/26 this figure has increased to £400m. This represents a significant weakness in the Council's arrangements to ensure financial sustainability and we have made a Key Recommendation.

Key recommendation 1

KR1: The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools.

Financial sustainability (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: The Council's Medium Term Financial Strategy (MTFS) 2025-29 projects a gap of £4.7m in 2025/26; £38m in 2026/27, £62m in 2027/28 and £91m in 2028/29. £85m of savings has been identified, with a further £91m of GF savings requiring identification. Unless savings are achieved this will be funded through reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025.

Evidence: In our prior year report we raised two Improvement Recommendations to support the Council in financial planning and identifying savings. While recognising that the Council achieved an underspend of £8.8m in 2024/25 and did not need to use reserves as it had planned, the need to identify a further £91m savings by 2028/29 represents a significant challenge, especially given the savings already made and identified. The annual savings amounts identified in the MTFS give total cumulative savings of £33.4m, over its life. The level of savings needed therefore represents a significant increase from those currently identified. Forecasting over a four year time horizon is challenging, but the Council is expecting demand for core services to continue to increase, particularly in adults and children's social care. Factors include a growing population, ageing population, and lack of foster parents. Initial indications are that the Comprehensive Spending Review and Fair Funding will help, and could contribute additional income of between £10m and £20m a year, but the Council recognises that government is yet to announce final figures. Other benefits are also anticipated, for example the pension fund triennial review could result in savings of up to £10m a year. We understand the Council has commissioned an external Efficiency Review to support it in identifying savings and closing the budget gap. Some initial findings are expected to be reflected in the draft budget report in December.

The Council does not report savings delivery separately. While this is not unreasonable, it is something many other councils do in order to better demonstrate the impact and effectiveness of difficult decisions around savings and income generation.

Impact: Whilst the MTFS gap is therefore significant, the Council has a reasonable level of reserves and is anticipating some benefits. This represents an area of financial risk to the Council and we have raised an Improvement Recommendation. Given the scale of the challenge, this will be an area that the audit team will monitor closely, and should the situation deteriorate further reporting may be necessary.

Improvement Recommendation 1

IR1: In order to bridge the financial gap forecast in its Medium Term Financial Strategy, the Council needs to identify and bring forward additional savings or income generation schemes at pace in order to avoid having to use reserves to balance its annual budget.

As increasingly difficult decisions are taken, public transparency on their effectiveness is important. The Council should therefore consider reporting separately on savings plans and savings delivery.

Grant Thornton insights – notable practice

The Council has notable arrangements in Adult Social Care financial management.



What the Council is doing well

- The Council has a "Fair Outcomes Policy" which is intended to ensure that it meets the identified care need, but no more. The Council revisited the policy to ensure that it was being applied consistently.
- The Council introduced a multi disciplinary panel which reviewed every new application. This was not popular as it removed the decision-making authority from social workers and caused some delay in care packages being approved. However, it was considered appropriate given the scale of its financial challenge. At its height the panel was reviewing 30-40 packages a day.
- Any delays in applications being processed were offset by ensuring that people had the most appropriate care.
- The Council no-longer use the panel for every new application, instead reviewing a sample of assessments to ensure they are completed in line with the policy.



What is the impact?

- The Council estimates that the first year savings were £6m.
- In 2024/25 the directorate underspent its budget by £17.5m.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has reasonable arrangements to manage strategic risks with a Risk Management Policy Statement and Strategy in place. The Corporate Governance Committee holds responsibility for risk management and is informed of changes to the Corporate Risk Register (CRR). We noted that the CRR itself does not capture risk controls and assurances nor name risk owners. A separate update report provided alongside the CRR provides good commentary and reasonable assurance, although the Council may wish to consider refreshing this and adding subheadings to identify the controls and assurance, action taken and further action planned in order to further reduce risk if appropriate. The Council has an effective Internal Audit function, which conforms with the 2017 Public Sector Internal Audit Standards. The five-yearly external quality assessment was undertaken in Spring 2024. New standards apply from 1 April 2025. In our prior year report we raised an improvement recommendation around a three-year Internal Audit Strategy and Charter. We note that these have yet to be presented, so we have carried our recommendation forward. The Council has adequate Counter Fraud arrangements in place. The Corporate Governance Committee has agreed to receive annual reporting in response to the recommendation we raised last year. The Council provides mandatory Fraud Awareness training. The Corporate Governance Committee receives information relating to Whistleblowing concerns and the Ombudsman complaints review. We saw no evidence that staff survey results are shared with the Committee to enable triangulation. In addition, the Corporate Complaints and Compliments Annual Report 2024/25 was shared with Cabinet in September 2025. We noted that the Council's Corporate Complaints and Compliments Policy is dated April 2023 although the document refers to this as the Corporate Complaints Procedure throughout, and states that the document should be reviewed on an annual basis.	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The Council has appropriate budget setting arrangements in place. These include Cabinet being presented with a draft budget and MTFS in mid-December, prior to Committee scrutiny and public consultation. The appropriate Cabinet Member attends each scrutiny committee, with minutes being included in the final budget setting papers, along with the results of public consultation. Assumptions used to set the budget are considered reasonable. The base budget is uplifted for inflation and growth, with savings removed.	G
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	In-year financial reporting is sufficiently timely and clearly sets out the forecast revenue and capital outturn and the associated impact on reserves. Key variances and the reasons are explained, including analysis of changes in demand as appropriate. Our audit of the Council's financial statements is ongoing, but at the end of September there were no issues that impact our value for money work.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council has arrangements in place to ensure that appropriate and informed decisions are made, and these are reflected in the Constitution. Following an improvement recommendation we raised last year, Cabinet agendas now identify reports that require a key decision. However, we noted some inconsistencies, and the Council may wish to monitor that key decisions are identified consistently on reports and agendas. Our review did not identify any inappropriate tone from the top. There is evidence of the Chief Executive and Directors contributing to the agenda. However, minutes do not show any discussion, debate or challenge at Cabinet meetings compared to the level of information we have observed in the minutes of other Committees. While it is possible to watch the meetings, having robust minutes is good practice. In addition, we were made aware of some strained relationships since the elections in May 2025, with some unrest and slowed decision-making. We have highlighted this as an Insight for the Council to consider on page 28. The Corporate Governance Committee holds responsibilities for all non-executive functions. Minutes show a good account of the reports presented and a clear indication of the decision made. There is evidence of discussion, with questions and concerns raised to presenters. Non-attendance or apologies received are not recorded, which is unusual. There are governance arrangements in place for external bodies where the Council has a key role. Joint arrangements are detailed well in the Council’s Constitution and reported in the Annual Governance Statement (AGS) 2024/25.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	The Council has responded to the Government's consultation to introduce measures to strengthen the standards and conduct regime for Local Authorities in England. The Council's Code of Conduct is included in the Council's Constitution. We were made aware of issues relating to the conduct of a small number of new Members, leading to several complaints being received. Conduct issues are being managed internally, with the Member Conduct Panel working to achieve a change and have developed a reasonable way forward. We have noted that while the Council has a Code of Corporate Governance, this hasn't been updated since 2022, with an update planned during 2025. Updates to the constitution have also been delayed as a result of resource capacity. Members are asked to declare any interest in respect of agenda items at all meetings, and these are recorded on an interactive tool on the Councils website, although it is not easy to use. Gifts and Hospitality valued over £50 and received within the last 12 months are published within each Councillors profile page. We noted that profile pages are removed when a seat on the Council changes and therefore prior declarations are not publicly available. Information is held digitally on file for three years in line with retention and destruction procedures. The Council has arrangements to ensure that it meets legislative and regulatory standards where it procures or commissions services and the Constitution was refreshed to include the changes to the Procurement Act. The Council has created a set of rules and guidelines, and a programme of learning and development to support implementation of the new Act. Looking ahead, Internal Audit reviews relating to procurement feature on their 2025/26 Audit Plan. In the prior year we made an improvement recommendation that the Council should report on contract exceptions more frequently. We note that the Council is still implementing this recommendation and have therefore carried it forward and assessed this criterion as "Amber".	A

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Grant Thornton insights – learning from others

The Council could challenge itself to go further in respect of organisational culture, based on the best arrangements we see across the sector.



What the Council is already doing

- The Council does not have one majority political party, but has managed to form a Cabinet.
- The Council has a high percentage of Members with no previous local government experience.
- Following the elections in May, the Council delivered its standard training package for new Members.



What others do well

- Provide regular and tailored training and ongoing support to new Members to ensure they understand their roles and responsibilities.
- Recognise that there are political differences, but avoid this becoming personal.
- Support Officer and Members in appropriate use of social media.
- Ensuring that Cabinet minutes capture the discussion and debate.



The Council could consider

- Providing further training and ongoing support for Members, particularly around the Code of Conduct and Seven Principles of Public Life (the Nolan Principles).
- Provide training on the social media policy
- Enhancing Cabinet minutes.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	Our review of publicly available meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are prepared and presented on a regular basis. However, there was evidence that the Council receives annual performance reports, with the Annual Delivery Report and Performance Compendium 2024 shared with Cabinet and Scrutiny Commission in November 2024, prior to being presented to Full Council. In addition, performance is reported to Overview and Scrutiny Committees. Reports are clear and concise, use a RAG rating and directional arrows to show progress, and compare performance to the prior year and to the National average where appropriate. A further improvement the Council may wish to make is to inform the reader of what actions are planned to tackle areas where performance is below the National average and/or is not as good as last year. Our review did not identify evidence of the arrangements the Council assesses the quality of data reported in performance reports. We have provided an Insight on page 34. The Council has arrangements in place to learn from other organisations to improve its performance and engages in benchmarking activity.	G

- G

 No significant weaknesses or improvement recommendations.
- A

 No significant weaknesses, improvement recommendations made.
- R

 Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council: **Commentary on arrangements**

Rating

evaluates the services it provides to assess performance and identify areas for improvement	The Council engages in, and responds to, external inspections appropriately. The Adult and Communities Overview and Scrutiny Committee actively monitored progress to deliver Care Quality Commission (CQC) improvement plans including site visits. In September 2025 CQC shared their latest draft report with the Council, giving an overall rating of "Requires Improvement", with waiting lists being the key area for improvement. The Council is developing an action plan. The Council recognises that managing demand is a key challenge and there is a need for additional capacity. The service will now develop an improvement plan to act on the issues identified, and acknowledges that there will be additional costs associated with this. We have raised an improvement recommendation on page 33. The Leicestershire Adult Learning Service (LALS) received an Ofsted inspection in January 2025, receiving a "Good" rating. The findings have been reported to Cabinet along with actions to address issues set out in a quality improvement plan. Last year we raised an improvement recommendation that the Council needed to continue to progress the Transforming SEND and Inclusion in Leicestershire (TSIL) programme to ensure a sustained trajectory of improvement in the % of new Education and Health Care Plans (EHCPs) issued within 20 weeks. We note that Special Educational Needs Assessments are included on the Council's Corporate risk register, and that the Children and Family Service is working on the backlog of assessments. Progress to reduce the backlog has been hindered by a significant increase in requests for new EHCPs since January 2025. Education Psychologists have a pivotal role in undertaking the EHCP assessments, but are in short supply. The Council changed their role to one of triaging all referrals to decide whether an Education Psychologist needs to undertake the assessment or if other professionals can complete the assessment for final review and sign-off by the Education Psychologist. This change has improved timeliness – at the end of March 2025 the average waiting time for an assessment was around 52 weeks, but by mid-August had come down to around 25 weeks. At the same time demand for assessments continued to increase.
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A

42

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council has signed up to the Consultation Charter created by the Consultation Institute and has published the seven principles of the Charter on a webpage dedicated to Engagement Standards. The webpage includes details of current and previous consultations, and engagement activities show how people’s comments were used. Last year we reported that the Council's Strategic Plan for 2022-26 was approved in May 2022 and detailed the consultation and how responses were used. The Council has since refreshed its Strategic Plan for 2024-26, and shows that engagement is valued by the Council, for example, engaging the community to protect the environment as part of its goal to be Clean and Green. Progress against the Strategic Plan is monitored and reported, with the 2024 Annual Delivery Report covering the period September 2023 to 2024 being shared with Cabinet in October 2024. The Council’s commercial and collaborative partnerships are detailed in the Draft AGS 2024/25 which sets out governance and reporting arrangements, for example, Investing In Leicestershire Programme (IILP) guides the Council’s investments that contribute to the outcomes of the Strategic Plan, and the Annual Performance Report 2023/24 was presented to the Scrutiny Commission and Cabinet in November 2024. The Council address issues relating to partnership working, for example, tackling the major concern of resourcing the Internal Audit work plan of the EMSS (East Midlands Shared Service), which led to a re-prioritisation of resources to deliver the 2024/25 programme.	G

43

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness – commentary on arrangements (continued)

We considered how the Council:	Commentary on arrangements	Rating
commissions or procures services, assessing whether it is realising the expected benefits	The Council has arrangements in place to manage key on-going contracts in accordance with the Procurement Act. The Procuring Officer or nominated Contract Manager is responsible for managing a contract including ensuring Key Performance Indicators (KPIs) are monitored. The Council’s interactive contract register is accessible to the public but does not include any performance measures. Looking ahead, we note the Internal Audit Plan 2025/26 includes a review of Contract Management. There are arrangements in place to monitor and report on the Capital Programme. The Council has addressed a significant weakness it identified in a prior year Annual Governance Statement regarding the risk management approach of the capital programme and has completed a lessons learned exercise using a previous large capital scheme. In addition, we note that a review of the Capital Strategy and Programme features on the Internal Audit Plan for 2025/26. The Council is part of the Eastern Shires Purchasing Organisation (ESPO), a local authority purchasing consortium made up of six local authorities with a role to a comprehensive cost-effective contracting and procurement service through a diverse range of commodities, products and services. ESPO is governed by a management committee and meeting documentation is accessible via the Council’s website. In relation to Local Government Reorganisation (LGR), since the Government provided feedback on the interim plans submitted the Council has spent time developing its own proposal for reorganisation for submission by the end of November 2025. Conversations with other local authorities in the area continue, and we understand that plans are progressing to enable individual proposals to be submitted by the November 2025 deadline prescribed by MHCLG.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

Improving economy, efficiency and effectiveness

Area for Improvement: responding to the Care Quality Commission

Key Finding: In their September 2025 inspection report the Care Quality Commission (CQC) assessed the Council as “Requires Improvement”.

Evidence: CQC were positive about how easy it is to access Council services. It also noted the efforts to reduce waiting times, rehabilitation after a hospital admission and the range of care home and residential care settings offering choice to people. An observation was however made that nursing care was limited across the county. CQC reported that leaders demonstrated an inclusive and positive culture of continuous learning and improvement.

CQC noted there was a high number of Deprivation of Liberty Safeguards (DoLS) applications made to the local authority and there was a backlog in assessments and authorisations.

Across nine themes, CQC assessed eight as level two (Evidence shows some shortfall) and one at level three (Evidence shows a good standard).

The Council now plans to develop a costed action plan to address the points CQC noted.

Impact: Addressing the points raised by CQC will support the Council in achieving its “Safe and Well “ priority which aims to ensure that people are safe and protected from harm, live in a healthy environment and have the opportunities and support they need to live active, independent and fulfilling lives.

Improvement Recommendation 2

IR2: The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis.



Grant Thornton insights – learning from others

The Council could challenge itself to go further in respect of performance reporting, based on the best arrangements we see across the sector.



What the Council is already doing

- Our review of available meeting documentation did not evidence that corporate performance reports detailing operational services, workforce and finance are prepared and presented publicly regularly throughout the year.
- The Annual Delivery Report and Performance Compendium 2024 was shared with Cabinet and Scrutiny Commission in November 2024, prior to being presented to Full Council.
- Performance is reported to Overview and Scrutiny Committees.
- The Council has a Data Standards document that details the method of data entry for core data, e.g. name, address, date of birth. The document stresses the importance of only collecting information that is required for the purpose, and that it is vital that data is accurate, although it does not include details of how data quality is checked or validated.
- There was no evidence of the arrangements the Council utilises to assess the quality of data, including that reported in performance reports. However, there was evidence that preparers are made aware that data reported may be subject to change.



The Council could consider

- Increasing the frequency performance reports are shared with Cabinet to ensure it is assured performance is on track and actions are in place to address any low performance.
- Use Data Quality indicators in performance reports to provide information to decision makers on the level of assurance underpinning metrics reported. These indicators would give Officers and Members more confidence that reported performance reflects actual activity.

Pension Fund

The Council is the administering authority for the Leicestershire County Council Pension Fund. As part of our VfM work we are required to consider the Council’s arrangements in respect of the Pension Fund.

We considered the Pension Fund’s: Commentary on arrangements		Rating
Financial Sustainability: sufficiency of funds to meet liabilities	The Pension Fund is revalued every three years by an independent actuary, to assess future liabilities and set employers’ contribution rates. The most recent formal valuation, as at 31 March 2022, assessed the whole Pension Fund as being 105% funded. This is a strong position whereby the Fund is estimated to be able to meets its pension liabilities with its available assets. A full valuation is required during 2025, and while the results of this are not yet finalised, the actuary expects a funding level of around 140%.	G
Governance: appropriateness of governance arrangements	Governance arrangements are appropriate. The Fund is part of the LGPS Central pool, which is one of the eight pools approved by Government to go forward. In 2024/25 Internal Audit had 12 planned audits, nine of which were complete by June, two in progress and one deferred. None of the audits received low levels of assurance. For 2025/26 the Internal Audit plan will include 90 days. The scope of the work is appropriate. Risk Management is reported to the Local Pension Committee. The June 2025 report includes 19 risks with comprehensive explanations of any changes and those risks Officers have discussed but are not changing. The risk register is reported in full and contains the information we would expect. However, Investment Subcommittee meetings in December 2024, April and July 2025 were cancelled with the next one scheduled for October 2025. There will therefore be a one year gap between meetings. This does not represent a weakness as there are compensating arrangements in place through the other Committees and Boards.	

- G No significant weaknesses or improvement recommendations.
- A No significant weaknesses, improvement recommendations made.
- R Significant weaknesses in arrangements identified and key recommendation(s) made.

Pension Fund (continued)

We considered the Pension Fund's:	Commentary on arrangements	Rating
Improving Economy, Efficiency and Effectiveness: annual report findings	Reports to the Local Pensions Board include Key Performance Indicators, with explanations for changes in performance. Only one of 17 was "Red" in the final quarter of 2024/25. The Fund is making progress in: • implementing the McCloud remedy – implementation requires lots of complex calculations so could potentially impact heavily on administration teams. The Fund considers itself on track to implement the McCloud remedy with underpinning calculations included in the 2025 Annual Benefit Statements for most eligible members. The Fund has elected to utilise its powers to postpone implementation until 2026 for a few specific groups of members of the Fund. The Local Pensions Board have been consulted on this decision. • preparing for the Pensions Dashboard - the Department for Work and Pensions (DWP) has designed an online platform (Pension Dashboard), public sector schemes are required to be connected by October 2025 per the guidance provided, with a statutory deadline of 31 October 2026. The Fund is on track to achieve this, with a report to the June 2025 Local Pension Board highlighting mismatches or incomplete data, but none of these have been assessed by the external contractor as "high" risk.	G

- G** No significant weaknesses or improvement recommendations.
- A** No significant weaknesses, improvement recommendations made.
- R** Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of Value for Money Recommendations raised in 2024/25

Key recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
KR1	The Council urgently needs to work with schools and parents to develop and implement plans to ensure that specialist or independent school placements are only used for children where this is the most appropriate route. The Council also needs to continue to increase the number of places available for children in mainstream schools.	Financial sustainability (page 21)	Actions: The Council is focused on implementing further mitigations to reduce demand for EHCP's and the unit cost of providing them, alongside delivering current TSIL programme savings. The further mitigations include mainstream inclusion initiatives to reduce reliance on ISP's, policy and commissioning reviews and accelerating provision of new special school places. The issue cannot be fully resolved by the Council alone, and the governments delayed SEND White Paper will be fundamental to the long-term sustainability of SEND. Responsible Officer: Director of Children and Family Services. Due Date: Ongoing. Further mitigations to be built into 2026/27 budget.

Improvement recommendations raised in 2024/25

	Recommendation	Relates to	Management Actions
IR1	In order to bridge the financial gap forecast in its Medium Term Financial Strategy, the Council needs to identify and bring forward additional savings or income generation schemes at pace in order to avoid having to use reserves to balance its annual budget. As increasingly difficult decisions are taken public transparency on their effectiveness is important. The Council should therefore consider reporting separately on savings delivery.	Financial sustainability (page 22)	Actions: Refresh of MTFS and further savings proposals – Feb 2026 Reporting of savings delivery – May 2026 Responsible Officer: Director of Corporate Resources. Due Date: As above.
IR2	The Council should ensure that the action plan developed in response to the Care Quality Commission September 2025 inspection report is fully costed, with clear milestones and progress is publicly reported on a regular basis.	Economy, Efficiency and Effectiveness (page 33)	Actions: The CQC action plan has been costed and is included as growth as part of the 2026/27 budget process and MTFS refresh. Immediate actions for 2025/26 are being funded through available earmarked reserves. Progress against the plan will be reported to the Adult and Communities Overview and Scrutiny Committee. Responsible Officer: Director of Adults and Communities. Due Date: milestones per the action plan.

07 Appendices

Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's Chief Finance Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Finance Officer is required to comply with CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.



Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council’s Value for Money arrangements

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council’s arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we will undertake further work to understand whether there are significant weaknesses. We use auditor’s professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

**A range of different recommendations can be raised by the Council’s auditors as follows:**

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council’s arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR1	The Council should ensure that its financial governance framework remains robust in the face of ongoing pressures in the revenue budget. The Council should continue to perform regular reviews of the financial outlook to highlight any deterioration in the expected position, as well as continuing current work to identify areas of improvement.	2023/24	The MTFS forecasts a further £91m of General Fund revenue savings to be identified. Unless savings are achieved this will be funded through reserves. The Budget Equalisation reserve, to manage funding gaps, is £92.1m at 31 March 2025.	Incorporated with PY IR2 into new IR1.	Yes
IR2	The Council should continue to work to identify savings so that the use of reserves to balance the revenue budget is minimised. When savings opportunities are identified, these should be converted to realisable savings as quickly as possible.	2023/24	As above.	As above	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR3	To reduce the annual deficit on the High Needs Block of the DSG and protect the Council’s reserves, the Council should continue to work to identify opportunities to reduce the increasing demand for SEND provision as well as reduce the costs of SEND provision.	2023/24	The Council has sufficient reserves to cover the forecast £118m deficit, but would essentially use all of its reserves in doing so. For 2025/26 the Council is forecasting a £41.8m overspend on DSG, with the High Needs Block forecast overspend of £45m being £30m more than budgeted for. This is after the Transforming SEND in Leicestershire Programme savings of £12m. The Council estimates that, by March 2030, the cumulative deficit could be £260m.	Incorporated with PY IR7 into new KR1.	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	To improve and strengthen the arrangements in place for providing Internal Audit, the Council must ensure: - The Chief Internal Auditor provides for CGC approval, a Three Year Internal Audit Strategy and Annual Internal Audit Plan documenting its Internal Audit Charter, which outlines the purpose, authority and responsibility of the internal audit activity. - Reporting to CGC provides clarity in terms of actual progress against the plan, identifies any slippage or changes to the plan and enables the CGC to provide appropriate approval. (cont.)	2023/24	Internal Audit The three-year internal audit strategy was due be presented to CGC in January 25. However, progress has been delayed and this was planned to be reported to CGC in September 25. We understand that the Internal Audit Charter was last updated in January 24 and review of the AGS confirmed this. However, further development is to be undertaken and is planned for reporting to CGC in September 25. Lastly, slippage of the Internal Audit Plan is now reported as business as usual and was evident in the IA progress report to CGC in March 2025. These reports were not actually presented, so we have carried this forward.	Internal Audit three year plan and Charter to be reported.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR4	(cont.) - Slippage is appropriately managed to enable the HOIA to provide a timely annual opinion and provide assurance that this does not expose the Council to prolonged or additional risk. - There is year end reporting of Fraud activity.	2023/24	Counter Fraud The annual Counter Fraud report 2024/25 was shared in June 25. We note that the Committee agreed that unless a major issue arises or there is a government requirement for more regular reporting, to dispense with in-year counter fraud updates which currently form part of the wider Risk Management Update reports presented at each meeting of the Committee. Review of the coversheet to the annual report shows that it was recommended to the committee to receive further reports on an annual basis, although we note that no rationale for this change in reporting arrangements was given either in the report or the minutes. The Counter Fraud annual report 2024/25 provides a clear account of activity undertaken during the year and shows there were 21 investigations closed during the year.	We will close this recommendation and monitor the full delivery of the recommendation as part of our usual work.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR5	To enhance the decision making arrangements in place and provide further clarity to those charged with Governance, the Council should: - Document on meeting agenda's what action should be taken by the Cabinet i.e. whether the paper requires a key decision to be made or is being presented for information and noting. - Ensure supporting overview reports also document whether the recommended action requires a key decision to be made.	2023/24	A review of Cabinet agendas identifies reports that require a key decision to be made, and the individual presenting the reports. Triangulation of the agenda, reports presented, and minutes of the Cabinet meeting held March 2025 provided evidence that the reports labelled as requiring key decisions on the agenda also stated that a key decision was required, although it is not clear why other reports did not state that a key decision was required, for example, if this was because the Cabinet was asked to give authorisation for an act. If this is the case, we also saw another report which required authorisation to be given which was not identified as requiring a key decision.	We will close this recommendation as the Council has acted on it although the Council may wish to monitor that key decisions are identified consistently on reports and agendas.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR6	As the Accountable Body, the Council must take a lead in ensuring that the formal governance documents required to support the Freeport (Members' Agreement, Articles of Association, Tax site Operator's Code of Conduct and undertaking, Occupier's Code of Conduct and undertaking, Accountable Body Agreement, Security agreement etc are signed and agreed by all parties and presented for approval to the EMF Board meeting in November 2024.	2023/24	The Draft AGS 2024/25 detailed the arrangements of East Midlands Freeport (EMF), confirming the Council is the 'accountable body' and that it participated in a governance assurance review with MHCLG officials and no adverse issues were identified. Two actions were highlighted in respect of any conflicts of interest and the management of commercial information. An action plan was prepared and reported to Freeport Board in October 2024. In addition, the outcome of the annual security review of the Freeport Security Forum produced a small number of recommendations and the Internal Audit service will work with Freeport Officers to progress these actions. The Government has now asked that responsibility for the Freeport is transferred to the East Midlands Combined County Authority by February 2026, if possible.	Due to the work undertaken by the Council, and the Government request to transfer responsibilities, we will close this recommendation.	No

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR7	The Council needs to continue to progress the TSIL programme to ensure a sustained trajectory of improvement in the % of new EHCPs issued within 20 weeks, with a view to meeting compliance with the statutory deadlines, as set out in the SEND Code of Practice (2014).	2023/24	The Council has sufficient reserves to cover the forecast £118m deficit, but would essentially use all of its reserves in doing so. For 2025/26 the Council is forecasting a £41.8m overspend on DSG, with the High Needs Block forecast overspend of £45m being £30m more than budgeted for. This is after the Transforming SEND in Leicestershire Programme savings of £12m. The Council estimates that, by March 2030, the cumulative deficit could be £260m. The Council changed the role of Education Psychologists to triaging all referrals to decide whether an Education Psychologist needs to undertake the assessment or if other professionals can complete the assessment for final review and sign-off. This change is proving very effective in improving timeliness.	Incorporated with PY IR3 into new KR1	Yes

Appendix C: Follow up of 2023/24 improvement recommendations

	Prior Recommendation	Raised	Progress	Current position	Further action
IR8	The Council should continue the work it is undertaking to reduce the number of contract exceptions and extensions and ensure that any cultural or historical practise which does not promote or provide for robust, economical or effective processes is identified and rectified. To further improve oversight, we recommend that compliance reports are provided to CGC on a quarterly basis to provide assurance that new processes are positively impacting outcomes. In addition, reporting should include themes or departments etc to enable a targeted approach to accountability.	2023/24	The Contract Procedure Rules have been refreshed for the Procurement Act and includes the requirement for all Exceptions above threshold to have a lessons learned, mitigations and action plan completed. We will close this part of the recommendation	Our review did not identify evidence that compliance reports are provided to CGC on a quarterly basis and we will carry forward the improvement recommendation raised last year regarding this.	Yes



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