

## **Provisional Draft Annual Governance Statement (AGS) 2025-26**

### **1. Introduction**

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

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

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

### **2. What is Corporate Governance?**

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

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

### **3. Leicestershire's Vision and Outcomes**

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

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

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

## 4. What the Annual Governance Statement Tells You

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

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

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

## 5. Review of Effectiveness of the System of Internal Control

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

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

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

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

## 6. Forms of Assurance

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

## The Control Environment of Leicestershire County Council

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

## Internal Audit Service

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

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

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

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

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

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

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

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

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

## Risk Management

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

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

## Overview and Scrutiny

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

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

## Corporate Governance Committee

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

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

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

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

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

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

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

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

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

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

## **The Chief Financial Officer (CFO)**

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

## **The Financial Management Code**

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

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

## **Local (External) Audit**

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

## **The Auditor's Annual Report (AAR)**

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

## **Opinion on the Financial Statements**

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

## **Annual Audit Plan for the 2025-26 Accounts**

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

## **The Monitoring Officer**

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

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

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

## Senior Information Risk Owner

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

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

## Commercial and Collaborative Bodies Governance Arrangements

### Commercial

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

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

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

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

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

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

## Collaborative

### East Midlands Shared Service (EMSS)

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

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

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

### Local Pension Fund

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

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

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

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

### Local Government Pension Scheme (LGPS) - Central Pool

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

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

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

### **Pensions internal audit arrangements**

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

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

### **Active Together**

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

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

### **Leicester and Leicestershire Business & Skills Partnership**

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

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

### **Integrated Care Systems (ICS)**

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

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

### **Leicestershire Health and Wellbeing Board**

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

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

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

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

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

### East Midlands Freeport

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

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

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

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

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

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

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

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

<p>contract exceptions and extensions that are approved.</p>		<p>exceptions from 116 in 2023–24 to 104 in 2024–25, and to 17 in the first half of 2025/26.</p>	<p>exceptions and to review departmental pipelines. Grant Thornton has requested that exceptions are reported to Corporate Governance more frequently and this is being considered for 2026/27.</p>
<p><b>Care Quality Commission Assessment</b></p> <p>Between September 2024 and February 2025, the Care Quality Commission (CQC) undertook an assessment of how well the County Council meets its duties under Part 1 of the Care Act 2014. The CQC judged the Council as, ‘Requires improvement’, noting, “Overall, we heard mixed feedback from people about their experiences of contact and support from the local authority and many people said their care and support had improved their independence.”</p>	<p>Director of Adults &amp; Communities</p> <p>Actions scheduled to be delivered between December 2025 and November 2026</p>	<p>The Council is developing a fully costed improvement plan to address the areas of improvement highlighted from the Assessment which include timeliness of assessments, support for informal carers, access to information and advice, and ensuring adequate provision of services. Progress against the plan will be reported to the Adult and Communities Overview and Scrutiny Committee.</p> <p>A further Assessment will be carried out within the next 12 -24 months. Failure to improve could result in statutory intervention.</p>	<p>The Council has made strong progress delivering its Improvement Plan, supported by improved governance and oversight. Waiting times and backlogs for assessments have reduced, with fewer people exceeding target timescales. Additional staffing has boosted capacity in locality and carers’ services, helping deliver more timely support. Access to information, advice, and communication is improving, while commissioning work is expanding service availability, including new day services and more extra care and supported living options. Enhanced use of dashboards for areas like safeguarding and assessment waits is strengthening oversight, alongside robust programme management and ongoing scrutiny to ensure sustained improvement.</p>
<p><b>High Needs Block Deficit</b></p> <p>Identified in the Auditor’s Annual Report (AAR) 2024-25 was a key recommendation</p> <p>“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.”</p>	<p>Director of Children &amp; Family Services</p> <p>Ongoing, further mitigations to be built into 2026-27 budget.</p>	<p>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</p>	<p>The TSIL programme achieved its planned savings; however, the release of the SEND White Paper has increased anxiety among parents/carers, driving more EHC assessments and requests for specialist in-year moves. As a result, the High Needs deficit is forecast to rise from £64.4m (2024/25) to £99.1m (2025/26).</p> <p>The DfE has announced measures to address deficits, including potential 90% repayment, though details are still pending. Senior</p>

		fundamental to the long-term sustainability of SEND	leaders continue to scrutinise high-cost placements and expand maintained specialist provision. Ongoing work under the White Paper aims to prioritise a mainstream-first approach to support long-term financial sustainability.
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## 8. Significant Governance Issues Arising During 2025-26

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

Significant Governance Issue 2025-26	Lead Officer and Date
<p><b>Members Code of Conduct issues</b></p> <p>During 2025/26, member conduct was identified as a significant governance issue. While a framework exists to uphold high standards, the volume and nature of complaints—particularly involving public interactions and social media—highlighted the need for stronger focus on behaviour, leadership, and organisational culture. These matters impact public confidence, the Council’s reputation, and left unchecked would impact governance effectiveness.</p> <p>Formal arrangements are in place for dealing with complaints under the Members’ Code of Conduct, including the Monitoring Officer working with the Council’s Independent Persons and Member Conduct Panel to process complaints, with oversight from the Corporate Governance Committee and supporting training and guidance. However, the issues seen this year show that processes alone are insufficient without clear leadership, consistent expectations, and timely intervention.</p> <p>In 2026/27, the Council will prioritise strengthening standards through training, guidance, and member support, alongside reviewing existing arrangements. Responsibility for oversight will transfer to a new Constitution and Ethics Committee, supported by constitutional changes and updates to the Member–Officer Relations Protocol agreed in May 2026, reinforcing expectations of professionalism and leadership in conduct.</p>	<p>Chief Legal Officer &amp; Monitoring Officer</p> <p>October 2026</p>
<p><b>Deficit Schools Balance</b></p> <p>As at 31/3/2026, there was a net deficit for maintained schools of £3.6m. The budget submissions for 2026/27 are expected to show that the majority of the 65 maintained schools will need to apply for a deficit license for the next 3-5 years. Some schools may not be able to achieve a balanced budget within this timeframe. Internal Audit issued a High Importance recommendation in May 2026 follow an audit of schools’ budgets during 2025/26</p> <p>A number of actions are already being put in place:</p> <ul style="list-style-type: none"> <li>• Dedicated Schools Sustainability workstream established;</li> <li>• External support being commissioned to review 2026/27 budget submissions;</li> <li>• Deficit budget policy published and being implemented;</li> </ul>	<p>Director of Children and Family Services</p> <p>October 2026</p>

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

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

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

## 9. Future Challenges

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

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

### Transitioning to a new County Council administration

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

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

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

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

### Local Government Reorganisation

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

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

## Financial Sustainability

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

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

## Covid-19 Public Inquiry

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

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

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

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

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

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

### Local Context & Impact

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

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

## **CONTEST Strategy**

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

## **Artificial Intelligence and cyber security**

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

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

## **Procurement Regulations 2024**

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

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

## **Expected Service and National Reforms**

### **Adult Social Care**

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

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

### **Children & Family Services**

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

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

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

### **Waste Reforms**

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

## **10. Certification**

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

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

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

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

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

.....  
Jane Moore  
Chief Executive

.....  
Dan Harrison  
Leader of the Council

**AREAS FOR FURTHER DEVELOPMENT IN 2026-27**

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

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

Examples of key actions is summarised in the table below.

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

Annual Review of the Effectiveness of the Council's Governance Framework against the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016)

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

**Principle G.**

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

