

MEETING OF THE AUDIT AND RISK COMMITTEE

DATE: WEDNESDAY, 16 MARCH 2022

TIME: 5:30 pm

PLACE: Meeting Room G.01, Ground Floor, City Hall, 115 Charles

Street, Leicester, LE1 1FZ

Members of the Committee

Councillor Kaur Saini (Chair)
Councillor Pantling (Vice-Chair)
Councillors Ali, Joshi, Dr. Moore and O'Donnell
One Labour Group vacancy (to be notified)
One Non-Group vacancy (to be notified)

Members of the Committee are summoned to attend the above meeting to consider the items of business listed overleaf.

for Monitoring Officer

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Democratic Support, Democratic Services Leicester City Council, City Hall, 115 Charles Street, Leicester, LE1 1FZ Tel. 0116 454 6354

Email. Angie.Smith@leicester.gov.uk

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- wear face coverings throughout the meeting unless speaking or exempt;
- make use of the hand sanitiser available;
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- ✓ to ensure that the sound on any device is fully muted and intrusive lighting avoided;
- √ where filming, to only focus on those people actively participating in the meeting;
- where filming, to (via the Chair of the meeting) ensure that those present are aware that they may be filmed and respect any requests to not be filmed.

Further information

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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

Members are asked to declare any interests they may have in the business to be discussed.

3. MINUTES OF THE PREVIOUS MEETING

Appendix A (Pages 1 - 8)

The minutes of the meeting of the Audit and Risk Committee held on 24 November 2021 are attached and the Committee is asked to confirm them as a correct record.

4. EXTERNAL AUDITOR'S ANNUAL REPORT ON LEICESTER CITY COUNCIL 2020-21

Appendix B (Pages 9 - 32)

The External Auditor submits a report to the Audit and Risk Committee. Under the National Audit Officer (NAO) Code of Audit Practice ('the Code'), External Auditors are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, and the Auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

The Committee is recommended to note the report.

5. EXTERNAL AUDITOR'S REPORT: LEICESTER CITY COUNCIL PROGRESS REPORT AND INDICATIVE AUDIT RISKS, YEAR ENDING 31 MARCH 2022

Appendix C (Pages 33 - 80)

The External Auditor submits a report to the Audit and Risk Committee, which provides an overview of the indicative planned scope and timing of the statutory audit of Leicester City Council for those charged with governance.

The Committee is recommended to note the report.

6. REGULATION OF INVESTIGATORY POWERS ACT 2000, BI-ANNUAL PERFORMANCE REPORT JULY 2021 - DECEMBER 2021

Appendix D (Pages 81 - 82)

The City Barrister and Head of Standards submits a report to the Audit and Risk Committee which advised on the performance of the Council in authorising Regulatory Investigation Powers Act (RIPA) applications from 1st July 2021 to 31st December 2021.

The Committee is recommended to receive the report and note its contents, and make any recommendations or comments it sees fit either to the Executive or to the City Barrister and Head of Standards.

7. RISK MANAGEMENT AND BUSINESS CONTINUITY STRATEGY AND POLICIES 2022

Appendix E (Pages 83 - 128)

The Director of Delivery, Communications and Political Governance submits a report to the Audit and Risk Committee which presents the Risk Management and Business Continuity Policy Statement and Strategies which provide an effective framework for Leicester City Council to management and respond to key risks facing its services and support the delivery of its Business Plan.

The Committee is recommended to note the report.

8. FINANCIAL UPDATE REPORT

Appendix F (Pages 129 - 138)

The Deputy Director of Finance submits a report to the Audit and Risk Committee which provides an update on key changes currently affecting the Council, and which may have an impact on the work of the Committee.

The Committee is asked to note the contents of the report and make any recommendations or comments it sees fit to either the Executive or Deputy Director of Finance.

The Committee is also asked to support the change to the Constitution for the appointment of an Independent Member to Audit and Risk Committee. The change would be subject to Full Council approval.

9. ANNUAL REVIEW OF THE COUNCIL'S LOCAL CODE OF CORPORATE GOVERNANCE

Appendix G (Pages 139 - 152)

The Deputy Director of Finance, and City Barrister & Head of Standards submit a report to the Audit and Risk Committee for approval updates to the assurance and corporate governance processes at Leicester City Council and to approve the Local Code of Corporate Governance.

The Committee is recommended to approve the Local Code of Corporate Governance.

10. CORPORATE COMPLAINTS (NON-STATUTORY) 2020/21

Appendix H (Pages 153 - 162)

The Deputy Director of Finance submits a report to the Audit and Risk Committee, which provides and update on the corporate non-statutory complaints in 2020/21, and for Members to note improvements, comment upon our actions from the lessons learned and planned future changes.

The Committee is recommended to note and comment upon the report observations, including the comparisons and improvements within the administration of complaint handling, and comment upon the Council's actions for future change.

11. LOCAL GOVERNMENT & SOCIAL CARE OMBUDSMAN AND HOUSING OMBUDSMAN COMPLAINTS 2020/21

Appendix I (Pages 163 - 180)

The Deputy Director of Finance submits a report to the Audit and Risk Committee which provides an update on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) and the Housing Ombudsman in 2020-21 regarding Leicester City Council.

The Committee are asked to note and comment upon the report observations, including the comparisons and improvements within the administration of complaint handling, and comment upon the Council's actions for future change.

12. PROGRESS AGAINST INTERNAL AUDIT PLANS

Appendix J (Pages 181 - 196)

The Head of Internal Audit Service (HoIAS) submits a report to the Audit and Risk Committee which provides:

- a) a summary of progress against the 2020-21 & 2021-22 Internal Audit Plans
- b) information on resources used to progress the plans
- c) commentary on the progress and resources used
- d) summary information on high importance recommendations and progress with implementing them
- e) information on compiling the 2022-23 Internal Audit Plan

The Committee is recommended to note the contents of the report and make any comments to the HoIAS or Deputy Director of Finance.

13. ANY OTHER URGENT BUSINESS

Appendix A



Minutes of the Meeting of the AUDIT AND RISK COMMITTEE

Held: WEDNESDAY, 24 NOVEMBER 2021 at 5:30 pm

PRESENT:

Councillor Kaur Saini (Chair)

Councillor Joshi

Councillor Dr Moore

Councillor O'Donnell

* * * * * * * *

26. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Pantling, and from Nicola Coombe (Grant Thornton, External Auditors).

27. DECLARATIONS OF INTEREST

There were no declarations of interest.

28. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting held on 29 September 2021 be confirmed as a correct record.

29. LEICESTER CITY COUNCIL AUDIT PROGRESS REPORT AND SECTOR UPDATE

The External Auditor submitted a report to the Audit and Risk Committee for noting, on progress in delivering responsibilities as external auditors.

Grant Patterson, External Auditor, presented the report on progress and brought to Members' attention finalisation of the 2021 audit of the statement of accounts. The following points were highlighted:

 Members were reminded that at the end of September 2021, the detailed Audit Findings Report was reported to the Committee, which included outstanding matters and some works in progress and an unqualified opinion was anticipated on the financial statements. A final version of the Audit Findings Report had been provided to management on 15 October 2021 with signed audit opinion, and it was confirmed an unqualified opinion was issued.

- Final changes in the accounts were summarised in the report as:
 - Four adjusted misstatements, none of which resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement, nor impacted on the Council's usable reserves.
 - Four unadjusted misstatements which management did not adjust for on the grounds of materiality.
 - The errors were considered immaterial both individually and in aggregate, with the next impact of an increase of Property, Plant and Equipment by £1.0m had the adjustments been made.
- The 2020/21 Value for Money work was in progress and was close to completion, with a draft report to be provided before Christmas, then to be finalised in the new year.
- For the certification of grant claims, External Auditors were on track.
- Audit of the Housing Benefits Subsidy claim was fairly well progressed with the deadline for completion at the end of January 2022.
- In relation to the annual Pooling of Housing Capital Receipts, auditors were in the process of sharing letters of engagement with the Council.
- It was noted the City Council had purchased the CFO Insights tool from Grant Thornton. This was an annual subscription of £12,500 for three years. This was being reported for information and to provide assurance this was within the ethical standards.
- The FRC reported in October 2021 on their inspections of auditors work in the public sector, and the findings were summarised in the report. It was confirmed nine of Grant Thornton's audits were inspected in 2021. 70% were graded as good, and the independent reviewers were satisfied with the auditor's progress and quality of work. External Auditors hoped the report gave the Audit and Risk Committee Members confidence into the external auditors work.

Councillor Dr. Moore commended the statement made on page 16, "As Auditors we have had to show compassion to NHS staff deeply affected by the crisis", which she applauded and said it was refreshing to see the statement, in what was largely a financial report, had human interest which affected external audit actions.

Members brought to the attention of the meeting an email from an external organisation raising the point that Leicester City Council audits had not been signed off. Officers noted the point and informed the meeting that a statement was placed on the website following publication of the accounts by the due date, and that they had been audited. Officers had responded swiftly to the email, but would discuss with the City Mayor and Communications Team the consideration of further publicity in future years. It was noted that delays in external audits were a national problem for number of reason including the availability of resources in the audit sector, and guidance being released late, amongst other things. Members were informed a financial update that would cover these issues would be brought to the next meeting of Audit and Risk Committee.

It was further noted the whole of government accounts were yet to be complete, as they were yet to be issued by the Treasury.

Members were informed the Council was in the fortunate position of having had its accounts signed off before many other authorities.

Grant Patterson put into context that accounts had to be published by September 2021 and the external auditors had issued an opinion in mid-October. He added that it was widely publicised that there were challenges in both quality and amount of work to be done amidst a pandemic, in a field that had resource issues. They would continue to monitor the situation, but there were no issues to report with the Council's accounts, and that external auditors continued to work well with good support from the Council's Finance Team.

The Chair thanked the External Auditor and Finance Team, noting the difficulties to undertake audit work during the difficult times being experienced by everyone.

RESOLVED:

- 1. That the Audit and Risk Committee note the report.
- 2. Officers note the comments made by Members and discuss with the City Mayor and Communications Team further publicity on the publication of the Council's audited accounts prior to be taken to Full Council.

30. ANNUAL INSURANCE REPORT 2021

The Deputy Director of Finance submitted a report which presented an overview of the Council's internal and external insurance arrangements which provided information on the claims received in recent years and the results of the claims handling process.

Catherine Taylor, Financial Strategy and Insurance Manager, presented the report, and highlighted the main points in the report to Members:

- The Council's approach to risk financing as a large organisation was to have a high deductible (excess) level which kept down the overall costs of insurance and then managed the remaining risk by self-insuring.
- The annual costs of insurance were held as a corporate budget that did not affect individual departments budgets. The Council had an insurance fund put aside to meet claims as they needed paying. The fund usually reviewed by an independent external actuary annually to give assurance there were sufficient funds. It was noted the last review had been delayed due to the pandemic. However, there were no reasons to think there were not sufficient funds based on information officers held.
- In terms of external insurance it was a difficult market with cost pressures both in property insurance with concerns around fire and flood risk, and liability insurance where the costs tended to be very significant especially if relating to life changing injuries. It was noted there were ongoing reforms

- around personal injury cases.
- It was also noted there were ongoing national issues around liability in social care cases, some of which went back a long time, in some cases decades.
- It was highlighted that one insurance provider had decided to withdraw from the UK market following Brexit, as it was not cost effective to maintain their registration in the UK. As this was the only one at the time of this meeting the impact was believed to be minimal but if more chose to withdraw from the market, we could see less competition and premium increases.
- The report contained information on claims received and handled. It reflected a positive position, showing a reduction in claims particularly in relation to council housing.
- The appendix to the report provided a broad summary of the cover and main policies.

The Chair thanked the officer for the report.

RESOLVED:

1. That the contents of the report be noted.

31. ANNUAL REPORT ON THE NATIONAL FRAUD INITIATIVE (NFI)

The Deputy Director of Finance submitted a report which provided information to the Audit and Risk Committee on the National Fraud Initiative (NFI) exercises which were currently underway. The Committee was recommended to note the report.

Stuart Limb, Corporate Investigations Manager, presented the report and drew Members attention to the following points:

- The authority participated in two separate NFI exercises, one in which involved matching datasets with external organisations, including other local authorities, and secondly matching data held within the Council.
- There were 26,769 matches for 2020/21, and the different matches were given a risk score. We are expected to investigate those matches that are deemed to be high risk.
- To date nearly 6,000 matches had been checked, with only one error identified and no frauds. This provided a good level of assurance that processes were good.

The Chair was impressed with the result of the checks. Members acknowledged the achievement by officers noting the citizens of Leicester could be assured the authority was looking after the public purse.

The Chair thanked the officer for the report.

RESOLVED:

1. That the report be noted.

32. COUNTER FRAUD MID-YEAR UPDATE REPORT 2021

The Deputy Director of Finance submitted a report to the Committee which provided a mid-year update on the work carried out by the Corporate Investigations Team (CIT) for the period 1st April to 30th September 2021. The Committee was recommended to receive and comment on the report.

Members noted that:

- A report was presented to the Committee on 21st July 2021, and information provided at the meeting was an update on the previous report.
- The CIT continued to check Right to Buy (RtB) applications, school admission application, and vet council house properties to ensure they were being occupied by the correct tenant.
- The period covered by the report showed combined loss avoidance and income generated savings of £619,000.

The Chair thanked the officer for the report.

RESOLVED:

1. That the report be noted.

33. STRATEGIC AND OPERATIONAL RISK REGISTERS / HEALTH AND SAFETY DATA

The Director of Delivery, Communications and Political Governance submitted a report to the Audit and Risk Committee which provided an update on the Strategic and Operational Risk Registers and Health & Safety data. The Committee was recommended to note the report.

Sonal Devani, Manager (Risk Management) drew Members' attention to the following information:

- A summary of risks was provided at Appendix 1 to the report, with comprehensive details provided at Appendix 2 to the report.
- For the reporting period, two new risks were added:
 - Safeguarding Skills Shortage (risk no. 8 high risk at 20)
 - Asylum / Refugees (risk no. 21 medium risk at 9)
- As detailed in the report, risk controls for risk numbers 5, 9, 13 and 14 were amended.
- The risk scores for risk numbers 9 and 16 (School Improvement and Provision of Secondary School Places) were reduced to 9 from 12.
- The score on risk no. 12 (Resource: Capacity, Capability, Retention and Development) was increased from 9 to 12, to reflect current challenges around recruitment and retention.
- The Summary of operational risks was provided at Appendix 3, with detailed risks presented in the Operational Risk Register (ORR) at Appendix 4 to the report, compiled using risk registers submitted by each Divisional Director.
- 20 ORR risks had been amended, two deleted and three new risks added

for the reporting period.

- New risks were at 1, 22 and 23.
- It was noted that when a risk was 'deleted', it was not eliminated, but no longer scored as 'high'.
- For Health and Safety (H&S) data, a total of 386 incidents were reported in the last quarter, of which 205 were described as near misses.
- The H&S data included two new reporting categories:
 - Observed Hazard;
 - Non-Work Related.
- A 150 injuries were reported in Q1, an increase of 14%.

Members observed the volume of injuries was still quite high at 150.

The Chair thanked the officer for the report.

RESOLVED:

1. That the report be noted.

34. DECISION TO OPT INTO THE NATIONAL SCHEME FOR AUDITOR APPOINTMENTS MANAGED BY PSAA AS THE 'APPOINTING PERSON'

The Deputy Director of Finance submitted a report to the Audit and Risk Committee which set out proposals for appointing the External Auditor to the Council for the accounts for the five-year period from 2023/24 to 2027/28. The Committee was asked to recommend that the Council accept the Public Sector Appointments' (PSAA) invitation to opt into the sector led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

Amy Oliver, Head of Finance, presented the report, and the following points were noted:

- The reasons for the recommendation to use the PSAA was to ensure suitable independent auditors, ensure both quality and price, suitably qualified auditors
- It was noted there is limited External Auditors suitably qualified in the market.
- The procurement process would be managed nationally and assured by PSAA. This removing the burden from the Council on a complex procurement.
- The report concluded the sector-wide procurement was a better, more collaborative way moving forward, and the majority of councils were using the approach rather than appointing their own auditors.
- The report would be taken to Full Council on 25th November 2021.

The Chair noted the report being taken to Council, and appreciated the reason for using the recommended method of choosing external auditors. The Chair agreed that the report and recommended action be taken to Full Council on 25th November 2021. This was seconded by Councillor O'Donnell.

RESOLVED:

 The Audit and Risk Committee recommended that Council accept the Public Sector Appointments' invitation to opt into the sector led option for the appointment of external auditors to principal local government and police bodies for five financial years from 1 April 2023.

35. PROGRESS AGAINST INTERNAL AUDIT PLANS

The Head of Internal Audit and Assurance Service submitted a report to the Committee which provided a summary of progress against the 2020-21 and 2021-22 Internal Audit Plans. Information was provided on resources used to progress the plans and summary information on high importance recommendations and progress with implementing them. Members were recommended to note the content of the report.

Neil Jones, Head of Internal Audit and Assurance Service presented the report. The report covered progress on the past year and current year plans, and was brought to Committee under the Council's constitution to monitor performance against the Internal Audit Plan and to receive summaries of internal audit reports and the main issues arising.

Members noted that people continued to work from home and staff were being encouraged to take leave, and there would be a dip in activity over Christmas. It was further noted that Covid-19 continued to affect performance due to staff absences due to illness. The Service was continuing to monitor the situation with regular meetings with management.

A summary of progress was provided. Members noted in the plans at Appendix 1 to the report, the use of bold font depicted a status change. Appendix 2 to the report provided a short summary of issues and associated high importance recommendations. It was noted both appendices provided assurance to Members that work was moving forward even with continued Covid-19 disruptions.

The CIPFA project looking at internal audit was referred to in the report. A recent survey was responded to by the Chair of Audit and Risk Committee, and Head of Internal Audit and Assurance Service. The findings and conclusions of the research would be produced in early 2022 and would be reported back to Committee at a future meeting.

Members noted CIPFA's response to the government's recommendation following the Redmond Review, which fully supported the government's proposal to strengthen audit committees. The Department for Levelling Up, Housing and Communities (DLUHC) findings would be reported to a future meeting of the Committee.

Councillor Dr. Moore made a declaration of interest at this point in the meeting with regards to Appendix 2, Audit Title 'SEND funding' in that she was a

governor at the two special schools, and was on the advisory board. Councillor Moore raised a query on the SEND finance processes with reference to clawback. She voiced concern over the wellbeing of the children and believed as a Committee it should look at the special children in the city and ensure those needs were being met. The Head of Finance would look into the process and provide information to Councillor Moore.

The Chair thanked the officers for the report.

RESOLVED:

- 1. That the report be noted.
- 2. The Head of Finance to provide further information on SEND finances and the clawback process to Councillor Moore.

36. AUDIT AND RISK COMMITTEE WORKPLAN

The Audit and Risk Committee Workplan was noted.

37. ANY OTHER URGENT BUSINESS

There being no other items of urgent business, the meeting closed at 6.32pm.





We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the securing economy, efficiency and effectiveness in its use of resources are operating effectively.



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Appendices

- A Responsibilities of the Council
- B Mayoral arrangements
- C An explanatory note on recommendations
- D Use of formal auditor's powers

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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.

Executive summary



Value for money arrangements and key recommendation(s)

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. The auditor is no longer required to give a binary qualified / unqualified VFM conclusion. Instead, auditors report in more detail on the Authority's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Authority's arrangements under specified criteria. As part of our work, we considered whether there were any risks of significant weakness in the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified risks in respect of:

- Financial sustainability
- Governance
- Improving economy, efficiency and effectiveness

As noted below our work has not identified any significant weaknesses in arrangements in the Council's arrangements in these areas but we have noted five potential improvement areas.

We have not had to apply any of our formal auditor's powers. For information the powers we can deploy are set out at Appendix D.

	Financial sustainability	Conclusion	
(£)	The Authority is operating in an increasingly uncertain financial environment. For the second successive year, the Comprehensive Spending Review was a single year spending review. Leicester, as with all local authorities, will need to continue to plan with little certainty over funding in the medium term.	Our work has not identified any significant weaknesses in arrangements to secure financial stability at the Authority, but we have identified one improvement	
	Despite this uncertainty, and the challenges posed by COVID-19, the Authority has maintained a good financial position, largely as a result of its managed reserves strategy. Having planned its budgets for future years well in advance will enable sensible phasing of proposals to minimise the impact of the financial climate on services to residents.	recommendation.	
	Governance	Conclusion	
	Our work this year has focussed on developing a detailed understanding of the governance arrangements in place at the Authority and the changes instigated as a response to the pandemic.	Our work on both business as usual governance and adapted structures has not identified any significant weaknesses in arrangements but we have identified two improvement recommendations.	
	Improving economy, efficiency and effectiveness	Conclusion	
(©* <u>*</u>)	The Authority has demonstrated a clear understanding of its role in securing economy, efficiency and effectiveness in is use of resources.	Our work has not identified any significant weaknesses in arrangements but we have identified one improvement recommendation.	

Opinion on the financial statements



We have completed our audit of the Council's financial statements and issued an unqualified audit opinion on 15 October 2021.

Other opinion/key findings

We did not identify any significant unadjusted findings in relation to other information produced by the Council, including the Narrative Report or the Annual Governance Statement.

Audit Findings Report (AFR)

Our detailed audit findings can be found in our AFR, which was published and reported to the Council's Audit and Risk Committee on 29 September 2021. At this Committee meeting we reported that there were some outstanding items which were still a work in progress, including anticipated changes to the accounts. Subsequently, a final version of the Audit Findings Report was provided to management on 15 October 2021 concurrently with our signed audit opinion. A summary of the key changes to the draft financial statements presented for audit and adjustments identified are set out below:

Adjusted misstatements

4 adjustments were made, none of which resulted in an adjustment to the Council's Comprehensive Income and Expenditure Statement, or impacted on the Council's usable reserves:

- 1) Derecognition of St Margaret's Bus Statement £10.1m
- 2) Derecognition of the Waterside assets under construction £2.5m
- Correction of capital expenditure which had been written off as not adding value in the Housing Revenue Account £2.4m
- 4) Update to pension accounting as a result of the revised IAS19 report

Unadjusted Misstatements

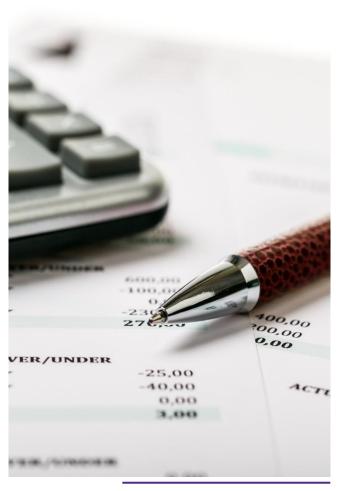
There were 4 unadjusted misstatements reported, which management did not adjust for on the grounds of materiality:

- 1) Overstatement of the valuation of Braunstone Leisure Centre which had arisen as a result of applying an incorrect gross internal area of £1.2m.
- 2) Understatement of the valuation of Haymarket Car Park as a result of a transposition error of £1.6m.
- Overstatement of Forest Lodge Education Centre as a result of a transposition error of £0.8m.
- 3) Overstatement of the valuation of Soar Valley College as a result of a transposition error of £0.7m.

These errors were considered immaterial both individually and in aggregate. The net impact on the Statement of Financial Position would have been to increase the value of Property, Plant & Equipment by £1.0m, had the adjustments been made.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. This work includes performing specified procedures under group audit instructions issued by the National Audit Office. We will complete our work on the Whole of Government Accounts consolidation pack in line with the national deadline, when it is announced.



Commentary on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources

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. The Council's responsibilities are set out in Appendix A. We have also summarised the Mayoral arrangements in Appendix B.

Councils 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's Auditor Guidance Note (AGN) 03, 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 management, risk management, and ensuring the Council makes 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.





Our commentary on each of these three areas, as well as the impact of COVID-19, is set out on pages 6 to 20.

14

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures it is facing and builds these into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

Background

In common with the local government sector the City Council is currently facing an unprecedented financial situation. Following on from the spending reductions the Government has imposed in the last 10 years, the coronavirus pandemic has put huge pressure on service spending and on income streams. There are also unavoidable, and continuing, underlying cost pressures, particularly in demand-led social care services.

Financial position 2020/21

Against this backdrop, the Council has historically performed well, with a record of strong financial and budgetary management. That being said, it is in a challenging environment, and this is set to continue, as the impact of COVID-19 as well as pre-existing funding pressures persist. In 2020/21 the Council has maintained its level of general funds at £15m and has increased its level of earmarked reserves from £244m to £328m. Total useable reserves now stand at £572m.

A significant proportion of the increase in reserves (as well as a £44m increase to the Council's cash balances) is as a result of receiving many government grants ahead of need as part of the Government's response to the pandemic and therefore do not represent new funding to invest in services but to support losses in income and increased one-off costs as a result of the pandemic.

Balance at 31st March 2021 carried forward		(15,000)	(328,212)	(343,212)	(35,757)		(116,798)	(76,031)	(571,798)	(1,018,591)	(1,590,389)
Transfers to/(from) Earmarked Reserves	10, 25	83,778	(83,778)	-					-		-
Adjustments between accounting basis & Funding basis under regulation	9	(42,922)		(42,922)	(16,139)		(6,357)	(9,403)	(74,821)	74,821	-
Total Comprehensive Expenditure and Income		(40,856)		(40,856)	13,207				(27,649)	224,367	196,718
Balance at 31st March 2020 brought forward		(15,000)	(244,434)	(259,434)	(32,825)	-	(110,441)	(66,628)	(469,328)	(1,317,779)	(1,787,107)
	Note	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
		Balance	Reserves	Total	Account	Reserve	Reserve	Unapplied		Reserves	Reserves
2020/21		General Fund	Earmarked	General Fund	Housing Revenue	Major Repairs	Capital Receipts	Capital Grants	Total Usable	Unusable	Total Authority
		0		0			0	0	T-4-1		T-4-1

Source: Movement in Reserves Statement from 2020-21 audited financial statements

Savings

Significant work has been undertaken by the Authority to identify savings opportunities to balance the books, and the medium term financial planning undertaken demonstrates a prudent approach, with a recognition that future funding levels remain uncertain. There is no evidence that there are unrealistic plans in place.

There is some reliance on non-recurrent measures, but this is intentional, and inevitable, given the managed reserves strategy in place, which has seen the Council, since 2013, contributing money to reserves in the early years of the strategy, and drawing down reserves in later years. This has been done to create time to more fully consider how to make the substantial savings which have been necessary. However, the Council recognise that more savings need to be identified over the medium term in order to achieve recurrent sustainability, which is the driving force behind the Fundamental Budget Review now being undertaken.

Strategic Directors are aware that their budgets are reasonably tight but acknowledge the financial reality facing the sector and are working within the limits made available to them. The approach to the budget for 2021/22 was to roll forward existing budgets and not include inflation, but to absorb it from within existing budgets.

For instance, (when considering the different pressures felt by different services) the revenue budget noted that Adult Social Care is under particular pressure but there is no over reliance on unrealistic assumptions. Indeed, a prudent approach has been taken such that the aggregate cost of social care packages is expected to increase by 12% in 2021/22 and therefore the budget has been increased accordingly. This is wholly due to a higher level of demand coupled with higher costs (eg increase in national living wage, which directly impacts the cost of care). Along with an increase in demand there is also an increase in complexity of need. That this has been considered, disclosed and taken into account is appropriate.

The Council does not have a formal system of implementation reviews for each approved saving. The overall position is monitored through the revenue monitoring reports, which would identify any problems with the post review budget position. Scrutiny committees are engaged in scrutinising savings (on a self-directed basis).

It is therefore difficult to measure the extent to which particular savings scheme have been successful as they are taken out of the budget: if a service subsequently breaks even the assumption would be that the savings have been met, but this could mask underspends in other areas.

Medium Term Financial Plan

The overall position is monitored through the revenue monitoring reports, which would identify any problems with the post-review budget position. These are presented to, and discussed at Overview Select Committee on a quarterly basis, from both a revenue and capital perspective. Aligned to the ongoing monitoring of the in-year budget there is also an emphasis on preparing for future, in an acknowledgement that the work needs to be started now.

As part of its planning process, when making proposals to reduce spending, the Council is required to consider the potential impact on those likely to be affected by any changes, particularly those which affect only certain protected groups. Its Public Sector Equality Duty requires it to identify likely negative impacts, any mitigating actions that could reduce those negative impacts, and crucially to ensure a protected group is not discriminated against.

Any online consultations (including savings) are held and retained online including the outcomes of any consultations via "We asked, you said, we did".

The Fundamental Budget Review previously referred to is an opportunity to reset taking into account the New Ways of Working approach brought about by the pandemic. It is a strategy-driven approach, with four workstreams, each headed by a Strategic Director: support services, frontline services, social care and assets. At the time the 2020/21 budget was being developed, there was a forecast gap between spending and income of £40m in 2022/23, which required savings of £20m rising to £40m in 2023/24. In the interim, the availability of managed reserves means that time can be taken to ensure all relevant information has been gathered in order to make informed decisions and the Mayor/Executive members can ask for further information or review as necessary.

Minimum Revenue Provision (MRP)

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (the 2003 Regulations) local authorities are normally required each year to set aside some of their revenues as provision for debt, known as the Minimum Revenue Provision (MRP).

Before 2008, the 2003 Regulations contained details of the method that local authorities were required to use when calculating MRP. This has been replaced by the current Regulation 28 of the 2003 Regulations, which gives local authorities flexibility in how they calculate MRP, providing the calculation is 'prudent'.

Before the start of each financial year a local authority should prepare a statement of its policy on making MRP in respect of that financial year and submit it to full Council for approval. For local authorities without a full Council the statement should be presented for approval at the closest equivalent level. The statement should describe how it is proposed to discharge the duty to make prudent MRP during that year.

During September 2021, Grant Thornton carried out a benchmarking exercise across its Local Government client base in order to identify organisations where the level of MRP provided for appeared to be low. We have RAG rated the Council's MRP both as a percentage of its capital financing requirement (CFR) and of its total debt and have applied a green rating to both indicators. The Council's MRP as a percentage of total debt is 4.44% (3.72% in 2019/20) and as a percentage of its CFR is 32% (32% in 2019/20).

Overall, we are therefore satisfied that the Council's current approach to MRP meets the prudential requirement.

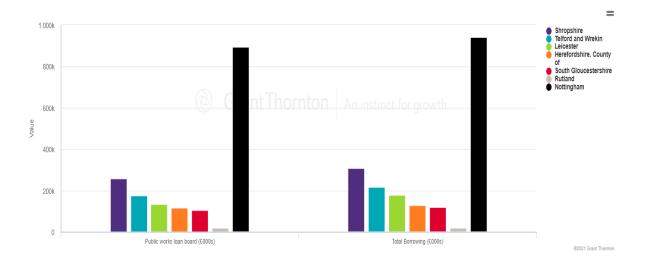
MRP/Total Debt	> 2%	1.25%> and < 2%	< 1.25%
Leicester City Council	√		
Debt as % of CFR	< 60%	60% > and <80%	> 80%
Leicester City Council	√		

Borrowings and cash

In comparison to its neighbours, the Council, has a relatively low level of borrowings as a percentage of its gross expenditure on services. The chart below shows a comparison from 2019/20.

The Council's cash and cash equivalents balance increased from £59m as at 31 March 2020 to £103m as at 31 March 2021. As noted in its 2020/21 Narrative Report this was as a result of receiving government grants ahead of need. The Treasury Management Outturn for 2020/21 notes that "after the emergence of coronavirus, the focus of treasury management changed initially to ensuring the ready availability of cash rather than maximising income. Nevertheless, income generated has exceeded budget despite record low interest rates mainly because the Council entered into a number of 2 year loans with other local authorities at the end of 2019/20 at good rates."

On these grounds we have not identified an inability of the Council to pay its liabilities as and when they fall due.



Source: CFO Insights: 2019/20 Borrowing Comparison

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its financial sustainability. We have not identified any risks of serious weaknesses. We have identified one opportunity for improvement. This is set out overleaf.

Improvement recommendations

(£) Financial sustainability

1	Recommendation	Consideration should be given to more formal, explicit monitoring, at a Member level, of the extent to which proposed savings are realised.
	Why/impact	The Annual budget sets out proposed savings per service area and their impact on the budget. Reporting on the progress of these specific programmes would help Members (and other reads of the documents) to better understand the performance in each area which would inform decision making as to any additional spending which may be required.
	Auditor judgement	The monitoring of specific savings programmes could be made clearer. Currently it is not apparent whether proposed savings are monitored and reported against.
	Summary findings	No distinction is made in the Revenue Budget Monitoring Reports of the progress being made against the proposed savings as set out in the Annual Budget.
	Management comment	Agreed, management will look at the best way of monitoring savings and reporting at Member level.



The range of recommendations that external auditors can make is explained in Appendix D.



We considered how the Council:

- · monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- · approaches and carries out its annual budget setting process
- ensures effectiveness processes and systems are in place to ensure budgetary control
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency
- monitors and ensures appropriate standards.

Leadership and committee effectiveness/decision making

Appropriate leadership is in place. The Council operates Mayoral executive arrangements (see Appendix B). In addition, there are a number of scrutiny committees which hold the decision makers to account.

The work of the Council's committees is governed by the constitution. This constitution is regularly reviewed and updated, including very recently, in order to ensure that any changes in processes occurring as a result of COVID-19 were constitution-compliant. The Annual Governance Statement needs to be read alongside the Council's constitution, which sets out how the Council operates, how decisions are made and the policies which are followed to ensure that these are efficient, transparent and accountable to local people.

There is a good suite of policies in place, covering anti-fraud and corruption, and the Council has an established antifraud culture.

Monitoring and assessing risk

Risk registers are used to monitor risks: these exist at different levels i.e. strategic, departmental and project. Risks can change over time and the Council is aware of the need for them to be monitored closely to make sure proper controls remain in place. The leadership team and the Audit and Risk Committee receive quarterly reports on the Strategic Risk Register. This gives them assurance that risks are being reviewed and something is being done to reduce or mitigate against them. Such reporting also provides a chance to identify and discuss new and developing areas of risk.

The Strategic Risk Register is updated on an ongoing basis: as at the time of our review it comprised 15 risks, which is more than we typically see, but some are to reflect the recovery that needs to take place in a post-pandemic world and to ensure business continuity should it happen again.

The register is informed by the departmental and project registers, which are also updated on an ongoing basis, and follow a similar format with a RAG rating of risks based on an assessment of their impact/likelihood.

The Council considers risks as part of its decision making role on corporate policies, including the annual budget setting processes, major policy decisions and major projects. The Council's Corporate Management Team also reviews these corporate risks through quarterly monitoring reports.

There is a good audit and investigations function operating at the Council. Internal Audit has demonstrated itself to be a dynamic service capable of reacting and responding to changing circumstances. It proved to be sufficiently agile to change its plan in order to certify a number of COVID-19 grants, providing assurance over the grants process itself as well as delivering a sufficient number of audits in order to give a Head of internal Audit Opinion. At the latest Audit and Risk Committee, it was reported that there are still elements of the 2020/21 plan that remain undelivered but a catch up plan is in place.

Progress against delivery of actions to address high priority recommendations are reported to the Audit and Risk Committee for information and discussion. Similarly, the Counter Fraud Specialists undertake a programme of work to support the Audit and Risk Committee, including a mix of proactive and investigatory work. Findings are reported appropriately. There have been only minor instances of fraud identified as being perpetrated in 2020/21.

Budgetary Setting Process

The budget-setting process is multi-layered and thorough, with several stages, including stakeholder consultation. The draft budget is then presented for review in December, with additional papers presented to Council to approve the budget in February. There is also a quarterly review of budget to outturn position by Overview Select Committee (OSC). The budget and MTFS are considered concurrently. There is not a separate, stand alone MTFS, but the longer-term projections and any risks to the medium term are incorporated into the reports accompanying the budgetary information considered by OSC quarterly.

This high level of scrutiny together with the Council's track record of achieving its planned savings and balancing its budget confirm the strength and validity of the budget setting processes in place.

→ Budgetary control

There are good systems in place for oversight of the budget. As well as quarterly budget reports to OSC, budget holders have access to real time information via self-service budget reports. These can be viewed either at a summary (high) level or at a detailed level. The quarterly budget monitoring reports detail variances by department (and service lines within departments) demonstrating a regular identification of in-year variances. Actions being taken or to be taken by departments in response to such variances are set out.



Monitoring and ensuring appropriate standards

The Annual Governance Statement is compliant with the CIPFA code. An appropriate level of care is taken to ensure the Council's policies and procedures comply with all relevant codes and legislative frameworks.

Local authorities were required to apply the requirements of CIPFA's Financial Management Code (FM Code) with effect from 1 April 2020. We have considered the requirements and do not consider that the Council has demonstrated significant failures in compliance in any areas, but would recommend that the Council undertake its own self-assessment of compliance against the FM Code. We note that the Annual Governance Statement confirms that the Council is in compliance, but a reported self-assessment would create a base line from which the Council can identify improvement opportunities.

Audit committees are an important source of assurance about an organisation's arrangements for managing risk, maintaining an effective control environment and reporting on financial and other performance. Audit committees in local authorities are also necessary to satisfy the wider requirements for sound financial management and internal control. Good practice shows that cooption of independent members is beneficial to the audit committee.

We attend all of the Council's Audit & Risk Committees and are satisfied it receives appropriate assurance and provides challenge. However, the complex nature of the Council and financial reporting alongside the natural turnover of members through electoral cycles means that maintaining the knowledge, skills and expertise of members can be challenging. The injection of an external view can often bring a new approach to committee discussions. Some authorities have therefore chosen to recruit independent members, some of the reasons being:

- · to bring additional knowledge and expertise to the committee
- to reinforce the political neutrality and independence of the committee
- to maintain continuity of committee membership where membership is affected by the electoral cycle

We would therefore suggest that the Council undertake a skills and knowledge assessment of the Audit and Risk Committee and consider if the appointment of an independent member would add value.

Conclusion

Overall, we found no evidence of significant weaknesses in the Council's arrangements for ensuring that it makes informed decisions and properly manages its risks. We have identified two opportunities for improvement, set out overleaf.

Improvement recommendations



2	2	Recommendation	In considering its compliance with CIPFA's Financial Management Code, the Council should prepare a self-assessment for consideration by the Audit and Risk Committee, so any improvement opportunities can be readily identified and progress monitored and reported.
		Why/impact	Other than a statement confirming compliance in the Annual Governance Statement, there is not a transparent report provided to members, to give them assurance over how the Council monitors itself and ensures ongoing compliance.
20_		Auditor judgement	It is important for the Audit and Risk Committee, with its remit of risk, internal control and governance arrangements, has oversight of the work done by the Council to ensure compliance with the Code.
		Summary findings	We recommend that the Council undertake its own self-assessment of compliance against the code and report it to Audit and Risk Committee such, that a base line is created from which improvement opportunities can be identified.
		Management comment	Agreed, a report will be taken to Audit and Risk Committee.



The range of recommendations that external auditors can make is explained in Appendix D.

Improvement recommendations



Recommendation

We recommend that the Council undertake a skills and knowledge assessment of the Audit and Risk Committee and consider if the appointment of an independent member would add value.

Why/impact

CIPFA endorse the approach of mandating the inclusion of a lay or independent member and recommends that authorities that are not required under statute to have independent members actively explore the appointment of an independent member to Audit Committees.

The injection of an external view can often bring a new approach to committee discussions. Authorities that have chosen to recruit independent members have done so for a number of reasons:

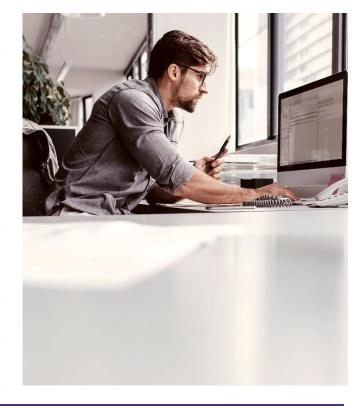
- to bring additional knowledge and expertise to the committee
- to reinforce the political neutrality and independence of the committee
- to maintain continuity of committee membership where membership is affected by the electoral cycle

Auditor judgement It is important for the Audit and Risk Committee, with its remit of risk, internal control and governance arrangements, to ensure it has the requisite skills and knowledge to fulfil its role. An independent member may enhance the Committee's skillset and give continuity across election periods, when otherwise the membership of the Committee could be subject to change.

Summary findings In considering the effectiveness of its Audit and Risk Committee, the Council should review its existing structure, skills and knowledge to determine if an independent member would add value.

Management comment

Agreed this will be considered during 2022/23.



The range of recommendations that external auditors can make is explained in Appendix D.

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Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships, engages with stakeholders, monitors performance against expectations and ensures action is taken where necessary to improve
- ensures that it commissions or procures services in accordance with relevant legislation, professional standards and internal policies, and assesses whether it is realising the expected benefits.

We have reviewed arrangements at the Council for improving services and the way in which they are delivered.

Performance review, monitoring and assessment

From conducting our own benchmarking analysis against other authorities, Leicester has an employment rate of circa 65% for individuals who are able to work aged 16-64, which is in line with other unitary authorities. It has a relatively large population compared to near neighbours and has significantly higher earmarked reserves towards public health services compared to other unitary authorities we have monitored, which is expected due to Leicester's larger population. We noted that total unit costs for education services and adult social care expenditure per head is high, although we acknowledge that this is consistent with the Council's priorities of raising attainment and assisting the vulnerable.

Leicester	2020/2021 (£000s)	Unit	Unit Cost (£)	Unit Cost Score
Total Education Services £/aged 0-18	278,249	88,643	3,138.98	Very High
Total highways roads and transport services £/head	17,477	354,224	49.34	High
Total Children's Social Care £/aged 0-17	75,193	84,082	894.28	Average
Total Adult Social Care £/aged 18+	131,149	270,142	485.48	Very High
Total cultural and related services £/head	12,653	354,224	35.72	Average
Total planning and development services £/head	2,268	354,224	6.40	Very Low
Total housing services £/head	10,294	354,224	29.06	High
Total environmental and regulatory services £/head	29,437	354,224	83.10	Low
Total central services £/head	12,698	354,224	35.85	Low
Total public health £/head	27,562	354,224	77.81	High
Total other services £/head	2,365	354,224	6.68	High
Total service expenditure £/head	599,345	354,224	1,691.99	Very High

Source: CFO Insights – we note that unit costs may not compare directly year to year due to the impact of COVID-19.

We have seen evidence which demonstrates that both adult social care and education services are proactive in benchmarking their unit costs, and have a good understanding of their performance journey, via means of department goals and commitments, supported by divisional strategies, balanced scorecards and quarterly performance reports.

A monitoring Special Education Needs and Disability (SEND) visit was undertaken by OFSTED, as a follow up to the significant weaknesses which had been identified in a June 2018 visit. The follow up report notes that sufficient progress has been made in addressing four of the five significant weaknesses identified at the initial inspection but not in addressing one significant weakness, which is in relation to a lack of joint commissioning of services to support young people's health needs post-19. We note that this outcome in relation to the fifth, was not unexpected as the Council work to address this had not gathered pace as of the time of the visit. Actions are now in place to accelerate this progress.

While outside of the year under review, we note OFSTED have reviewed Children's Services in September and returned a 'Good' opinion, which is to be commended. In particular it notes that "the use of performance data shows that the local authority knows itself well."

The Council shows that it reviews and challenges strategic priorities and cost-effectiveness ightharpoonup existing activities, to identify where they do not contribute sufficient value: the Mayor's Coanifesto priorities are supported by relevant strategies and the Strategic Directors (responsible for departmental budgets and delivering the strategies) meet very regularly with Finance (usually the Chief Operating Officer as s151 officer) where there is challenge over the way services are delivered and not just whether costs should be cut, but whether there are opportunities to invest in these activities to bring about better/more efficient service delivery.

Partnership Working

The need to work with others in partnership is an implicit part of the remit of each Strategic Director and the Mayor. A positive legacy of COVID-19 identified by officers, is that it has brought people together into a much stronger joint working culture, where teams now naturally think to talk to one another as part of their business-as-usual activities.

The Council is proactive in identifying its stakeholders and ensuring each is appropriately informed and/or consulted as appropriate including workforce, businesses, other public sector entities, communities, and members. The Council's 8-step vision is supported by Key Strategy Documents, all of which feature and stress the importance of Partnership working, and significant partners are referred to transparently in the documents themselves.

The quarterly monitoring cycle of each plan is done via Commission or Sub-Committee, which comprise partners as well as Council members, and is therefore indicative of collaboration.

However, the key strategic documents are not explicit in setting how the Council works with partners and which aims and objectives are being delivered wholly by or in conjunction with partners.

In terms of the governance arrangements around its partnership working, the Council has been responsive in addressing the findings from recent public interest reports issued in respect of other local authorities, by identifying and reviewing the companies/organisations in which the Council has an interest, considering the Council's explicit involvement and any exposure to risk.

Some next steps were identified by management, in order to ensure that such crossorganisational working is appropriately risk-managed, (especially to ensure that when officers or councillors are acting as directors and/or trustees, they make decisions in the best interests of the board/committee they are sitting on and any conflicts of interest are managed).

This is considered good practice, and we would endorse it being presented to the Audit and Risk Committee on an annual basis. Additionally, we would recommend that it includes, as part of its governance oversight review, how the Council ensures that the performance of its partners (and significant contracts) is measured and monitored and taken into account as part of the governance arrangements.

Procurement

The Council has a detailed procurement strategy, which is complemented by a Guide to Sustainable Procurement, setting out how the Council, in its procurement activity, can help to protect the environment, ensure high ethical standards and support the local economy and community. It is a "how-to" quide for staff, and therefore is a key document in being able to achieve an element of the Economic Recovery, which recognises the need to shorten supply chains and "support local production and provenance through procurement".

There are no Key Performance Indicators (KPIs) in the procurement strategy or in the procurement element of the Economic Recovery Plan, which may make it difficult for stakeholders to measure success against the proposed plan and actions.

As at the time of writing, we understand the Economic Recovery Plan is due to be updated in 2022 and this would provide opportunities to add quantifiable performance indicators to the Council's aims and objectives.

Conclusion

Overall, we are satisfied the Council has appropriate arrangements in place to ensure it manages risks to its oversight in ensuring economy, efficiency and effectiveness in its use of resources. We have identified two opportunities for improvement, set out on the following pages.

Improvement recommendations

Improving economy, efficiency and effectiveness

4	Recommendation	In its refresh of the Economic Recovery Pan, the Council should consider adding quantifiable indicators to its aims and objectives along with an analysis setting out its starting position, from which improvement can be measured.
	Why/impact	Currently it is not apparent whether or not a resident would easily access and understand what actions the Council is taking to achieve these objectives, and how progress is being measured.
	Auditor judgement	Performance reporting could indicate areas for improvement not immediately identified and allow the Council to more easily demonstrate achievement of it objectives to taxpayers.
	Summary findings	Any performance measures which the Authority is using in order to meet its aims and objectives are not immediately clear. Adding context setting out how these aims and objectives are to be achieved would help a reader to understand the route to achieving meaningful change.
	Management comment	Agreed, this will be incorporated into the refresh of the Economic Recovery Plan.



The range of recommendations that external auditors can make is explained in Appendix B.

COVID-19 arrangements



Since March 2020 COVID-19 has had a significant impact on the population as a whole and how Council services are delivered.

We have considered how the Council's arrangements have adapted to respond to the new risks they are facing.

Financial sustainability

The Council has adapted arrangements to respond to the new risks being faced from 2020-21 onwards in respect of COVID-19.and has arrangements in place to identify and monitor additional costs arising from responding to the COVID-19 pandemic.

From a financial perspective the additional costs have been tracked through the normal monitoring process and through regular returns to Central Government: costs which are non-operational (i.e. of a nature which the service has only incurred because of the pandemic) were charged to a separate cost centre controlled by Finance, which meant that no budget changes were needed to reflect these costs. Most of the individual items of expenditure incurred because of COVID-19 come into this category (e.g. food hubs, accommodating the homeless, community mobilisation fund, and one-off IT costs).

Costs which are of an operational nature, but which have increased because of the pandemic, were charged to service budgets.

This is a sensible approach as it recognises the difference between what are likely to be one-off costs from potentially recurring costs, which may continue to impact on a service's budget due to longer term changes in demand and need.

Monitoring reports were received by Overview Select Committee along with regular verbal updates from a range of Officers, both at OSC as well as other sub committees, where members were kept abreast on how each service area was responding to the need of its users as a result of the pandemic.

Governance

While the Council generally maintained a business-as-usual approach to its governance arrangements during the pandemic, some adjustments were required. As a result of the lockdown restrictions announced on the 16th March 2020, the Council adjusted some of its internal control processes to support effective governance throughout the pandemic. As soon as these were lawful, the Council started holding members' meetings online.

The governance model of the Council (ie Mayor as opposed to Cabinet) lends itself to decisions being made in an agile way. An agile decision-making process has been key and is reliant on relationships between the City Mayor, Executive Members, and other Members as required. Largely the governance arrangements are regimented in terms of formal decision making, ie through traditional route of Executive powers and through electoral mayoral

system: there is a route to getting before the decision maker, through lead directors and department and then through scrutiny as appropriate. This has continued through the pandemic, though for decisions where a swift response was required, the Council set up working groups through which the relevant officers would meet frequently to be sighted on latest events, issues and matters.

To ensure informed decision making and governance arrangements, the following arrangements were put in place, all of which could be stepped up or down as the demands of the pandemic response required:

- Corporate business continuity group
- All member briefings
- Weekly briefing with the Executive and Senior Management and key officer
- Senior Officer meetings (daily at the peak and reduced to twice weekly, now incorporated into fortnightly corporate management team meetings
- Incident management team meetings
- Local Resilience Forum meetings

The breadth of this response ensured that the views and input of all relevant stakeholders were taken into account and the approach being taken was joined up.

COVID-19 arrangements

The Council recognises that it has had to act promptly to carry out central government requests, but to ensure that Governance arrangements were adequate, post implementation audits were commissioned from the Council's internal audit service, such as to consider contract arrangements during COVID-19, as well as how the distribution and allocation of grants was managed, for which substantial assurance opinions were given, meaning that internal audit considered that adequate controls are in place. Grant schemes reviewed were:

- Self Isolation Payment Scheme (Phase 1 & 2) February 2020
- Supplier Payments July 2020
- Business Grant Funding September 2020
- Lockdown Business Support Grant December 2020
- Winter Grant March 2021

We note based on the timing of the reports that internal audit reviews were sought on a timely basis to ensure that any lessons learned could be applied to future grant-making activities.

The Council is clearly showing itself to be self-aware and welcoming of this type of overview and assurance gathering.

Improving economy, efficiency and effectiveness

To recognise its ongoing impact, COVID-19 continues to feature on the Council's strategic risk register, both as separate discrete risks, but also as part of other risks, where the existence of it is seen as a risk to the Council of achieving other overarching objectives, eg financial sustainability.

As noted in the Governance section of this report, risk management is well embedded and therefore that, COVID-19 continues to be included in risk discussions, ensures it is kept on everyone's radar and has become part and parcel of the business as usual activities.

The Council has been mindful of the impact on the pandemic on its most important resource, its staff. Actions have been put in place to support staff wellbeing and supporting staff remains a key priority for the Council.

Conclusion

Our review has not identified any significant weaknesses in the Authority's VFM arrangements for responding to the COVID-19 pandemic.

We have not identified any improvement recommendations.



Appendices

Appendix A - Responsibilities of the Council



Role of the Chief Financial Officer (or equivalent):

- Preparation of the statement of accounts
- Assessing the Council's ability to continue to operate as a going concern

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 Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer (or equivalent) determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer (or equivalent) or equivalent is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer (or equivalent) 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 - Mayoral Arrangements

The Council is led by a City Mayor elected directly by the people of Leicester for a fixed four year term. How the Council operates is set out in its constitution which can be found here https://www.leicester.gov.uk/media/ud2pyqg5/our-constitution-july-2021.pdf.

The City Mayor, Mayoral Team and the Executive

The City Mayor appoints a Statutory Deputy City Mayor and between one and eight Deputy/Assistant City Mayors from the 54 Councillors, to work with him. Together they are described in this Constitution as the Executive.

Full Council

Full Council comprises all 54 Councillors elected every 4 years who represent the 22 wards of the City. The overriding duty of Councillors is to the whole community, but they have a special responsibility to the constituents of their ward. All Councillors and the City Mayor meet together as the Full Council. These meetings are open to the public and the press but sometimes the Council considers personal or confidential matters and it can choose to do so in private if appropriate.

The Full Council sets the broad Policy and Budget Framework within which the Council including the City Mayor and his Executive operates. The Full Council is chaired by the Right Worshipful the Lord Mayor of Leicester. This role is a ceremonial and civic one.

How decisions are made

Decisions are taken either by Full Council, the City Mayor, members of the Executive (either individually or collectively with the City Mayor), committees, or officers, according to rules set out in the Constitution.

The City Mayor is personally responsible for taking major decisions about many aspects of what the Council does. He can either take these decisions himself, delegate these to other Councillors on the Executive or to officers or take them collectively with Executive colleagues.

Certain business considered by the Executive is defined as a 'Key Decision'. These key decisions are included on the Forward Plan which is a document that is published every month with details of the decisions to be taken over the next four months. The Constitution sets out a specific definition of what are key decisions. In summary these are decisions where the Council will incur significant expenditure/savings, or which have a significant impact on communities in two or more wards in the City. Some decisions, due to legislation, or as a matter of local choice, can only be taken by Full Council. In some cases, Full Council can delegate these decisions to committees of Councillors or specified officers.

How the Council is scrutinised

Councillors who are not on the Executive are responsible for keeping an overview of Council business including scrutinising areas of particular interest or concern, holding the Executive to account for the decisions that are made, and assisting in the development and review of Council policy. This role is undertaken by Scrutiny Committees/Commissions. The Council has appointed one Overview Select Committee and seven Scrutiny Commissions to carry out the scrutiny function.

The Scrutiny Committee/Commissions have the right to scrutinise decisions as they are being formulated, after they have been taken and can ask for decisions to be reconsidered. This is known as "Call-In" and requires the Executive to consider further comments raised by a scrutiny committee or full Council before they are implemented. There is a Scrutiny Handbook that sets out in more detail the work of the scrutiny function.

Council Staff

The Council employs officers to give professional advice to the Executive and Councillors, to implement decisions taken and to manage the day to delivery of services. The Head of Paid Service (Chief Operating Officer) is a statutory role that every Council must have. This person has responsibility for managing all Council staff and decides how the City Mayor, Executive and Councillors should be supported by staff. There are other statutory posts including, the Chief Officer responsible for Children's Services (Director of Children's Services), an officer responsible for the Council's Adult Social Services functions (Director of Adult Social Care), an officer to ensure the Council makes financially proper decisions (Chief Finance Officer) and an officer who ensures the Council acts within the law (Monitoring Officer).

SUMMARY OF THE COUNCIL'S GOVERNANCE ARRANGEMENTS

Mayor, Executive and Council

- Provide leadership, develop and set policy
- Key risks are considered by the Executive quarterly

Scrutiny and review

- Scrutiny committees review Council policy and can challenge decisions
- Audit and Risk Committee approves the annual accounts and reviews policies & procedures that ensure good governance of the Council. It also approves the Internal Audit Annual Report and opinion

Decision making

- Decisions are recorded on the Council's website
- There is a period of grace in which decisions are open to review.

Risk management

- Risk registers identify both operational and strategic risks
- Key risks are considered by Corporate Management Team quarterly

Corporate Management Team (CMT)

- Provides service level management and interface with the political leadership
- Head of Paid Service is the Chief Operating Officer, who is responsible for all Council staff and for leading an effective CMT
- Chief Operating Officer is the s.151 Officer and is responsible for safeguarding the Council's financial position and ensuring value for money
- Monitoring Officer is the City Barrister & Head of Standards who is responsible for ensuring legality and promoting high standards of public conduct
- CMT includes all strategic and divisional directors

Appendix C - An explanatory note on recommendations

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

	Type of recommendation	Background	Raised within this report	Page reference
30	Statutory	Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the Council to discuss and respond publicly to the report.	No	N/A
-	Key	The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as 'key recommendations'.	No	N/A
-	Improvement	These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council's arrangements.	Yes	Financial sustainability – page 9 Governance – pages 12 and 13 Improving economy, efficiency and effectiveness – page 17

Appendix D - Use of formal auditor's powers

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly

We have not made any such recommendations.

Public interest report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention (1) of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

We have not issued a public interest report, nor do we consider that the issuance of such a report is necessary from the results of our review.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

We did not apply for such a declaration.

Advisoru notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

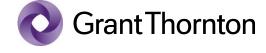
- · is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- · is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

We have not issued an advisory notice.

Judicial review

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

We have made no application for a judicial review.



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Leicester City Council Progress Report and Indicative audit risks

Year ending 31 March 2022

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Contents

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. 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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Introduction

This document provides an overview of the indicative planned scope and timing of the statutory audit of Leicester City Council (the 'Council') for those charged with governance. It sets out the risks that we anticipate will drive the focus of our audit based on our knowledge of the Council from the prior year and discussions with management. It is important to note that our risk assessment is an iterative process and we will revisit our assessment on an ongoing basis bringing any new risks to your attention if and when they arise.

We will provide our formal Audit Plan for consideration subsequent to our planning visit which is currently underway.

Respective responsibilities

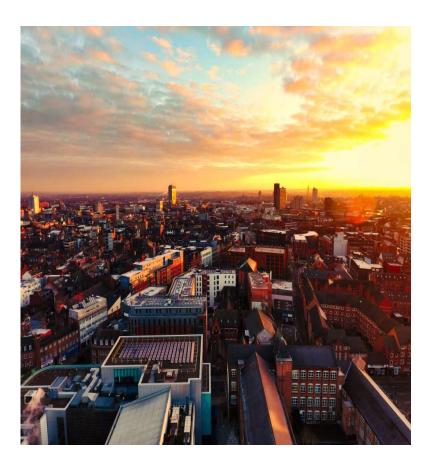
The National Audit Office ('the NAO') has issued a document entitled Code of Audit Practice ('the Code'). This summarises where the responsibilities of auditors begin and end and what is expected from the audited body. Our respective responsibilities are also set out in the agreed engagement letter and addendum to the contract. We draw your attention to both of these documents.

Scope of our audit

The scope of our audit is set in accordance with the Code and International Standards on Auditing (ISAs) (UK). We are responsible for forming and expressing an opinion on the Council's financial statements that have been prepared by management with the oversight of those charged with governance (the Audit and Risk Committee); and we consider whether there are sufficient arrangements in place at the Council for securing economy, efficiency and effectiveness in your use of resources. Value for money relates to ensuring that resources are used efficiently in order to maximise the outcomes that can be achieved.

The audit of the financial statements does not relieve management or the Audit and Risk Committee of your responsibilities. It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

Our audit approach is based on a thorough understanding of the Council's business and is risk based.



Financial Statements Audit 2021/22

Materiality

The concept of materiality

Materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law. Misstatements, including omissions, are considered to be material if they, individually or in the aggregate, could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

We have not yet determined the materiality for the year ended 31 March 2022, but anticipate it being based on the Council's gross expenditure for the year.

Informing the audit risk assessment

To inform our planning we include later in this report, on pages 9 to 35, responses from management to a series of questions posed across the themes of fraud, laws and regulations, going concern, related parties and accounting estimates.

Significant risks

Although we have started our planning work we are not at a stage where we can formally confirm the significant risks that we will be auditing. However, the sections below indicate likely areas that we expect our work to focus on.

Presumed significant risks

ISA (UK) 240 includes two presumed risks as follows:

- Revenue recognition may be misstated due to the improper recognition of revenue. This is a rebuttable risk if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. We will consider the risk factors set out in ISA240 and the nature of the revenue streams at the Council to determine whether there is a risk of fraud from revenue recognition.
- The risk of management over-ride of controls is present in all entities. The need to achieve a particular financial outturn could potentially place management under undue pressure in terms of how they report performance.

Valuation of land and buildings – The Council is required to revalue its land and buildings on a sufficiently frequent basis to ensure that the carrying value in the financial statements it not materially difference from the current value at the financial statements date. To achieve this, the Council requests valuations from its valuation experts. This valuation represents a significant estimate by management in the financial statements due to the value involved and the sensitivity of this estimates to changes in key assumptions. It is expected that the valuation of land and buildings will continue to be identified as a significant risk. However, we are also aware of CIPFA LASAAC's Emergency consultation on the 2021/22 Code in respect of land and buildings valuations and the implementation of IFRS 16. The outcome of this will impact upon our final conclusions.

Valuation of net defined pension liability – The Council's pension fund net liability represents a significant estimate in the financial statements, due to the size of the numbers involved, and the sensitivity of the estimate to changes in key assumptions. It is expected that the valuation of this balance sheet item will continue to be identified as a significant risk.

Other expected areas of focus

- In line with the Public Audit Forum Practice Note 10 in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition. We do not anticipate there being a significant risk in this regard, but will consider as part of our planning processes and again on receipt of the draft financial statements whether there is an increased level of risk associated with these transactions which would require additional audit effort to be made.
- We have previously provided information to the Committee on the new accounting standard on Estimates. This raises the bar in terms of what both we and management are required to do. Therefore while in the past, we have focussed on the valuation of land and buildings on the grounds that it is a large and complex estimate in the accounts, this will continue to occur to an even greater extent in 2021/22. This will also apply to any other material estimates made by management.

Value for Money 2021/22

As part of our planning work, we will consider whether there are any risks of significant weakness in the body's arrangements for securing economy, efficiency and effectiveness in its use of resources that we need to perform further procedures on. We may need to make recommendations following the completion of our work and will follow up the recommendations made in our 2020/21 Auditor's Annual Report.

Risks of significant weakness

We have not yet undertaken our planning assessment, and therefore cannot confirm the risks we will be considering.

However, we anticipate following up on the risk we reported against as part of the 2020/21 review which were financial sustainability.

We made one improvement recommendation in relation to financial sustainability:

 Consideration should be given to more formal, explicit monitoring, at a Member level, of the extent to which proposed savings are realised.

We made one improvement recommendations in relation to governance::

- In considering its compliance with CIPFA's Financial Management Code, the Council should prepare a self-assessment for consideration by the Audit and Risk Committee, so any improvement opportunities can be readily identified and progress monitored and reported.
- We recommend that the Council undertake a skills and knowledge assessment of the Audit and Risk Committee and consider if the appointment of an independent member would add value.

We made one improvement recommendation in relation to improving economy, efficiency and effectiveness:

 In its refresh of the Economic Recovery Pan, the Council should consider adding quantifiable indicators to its aims and objectives along with an analysis setting out its starting position, from which improvement can be measured.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on risks of significant weakness, as follows:



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

Certification work

Housing Benefit Assurance Process (HBAP): Housing Benefit Certification 2021

Background

The HBAP Module 1 framework sets out the Department for Work and Pensions' (DWP) requirements for the reporting accountant to provide a report of factual findings on the completion of the housing benefit subsidy assurance process.

Leicester City Council - 2020/21

We identified a number of issues from our certification work and, as a result of the errors identified, the claim was qualified, and we reported our findings to the DWP in our Reporting Accountant's Report dated 10 February 2022.

	Year	Value	Amended?	Amendment	Qualified
	2017-18*	£122,212,458	No	N/A	Yes
	2018-19	£122,321,335	No	N/A	Уes
)	2019-20	£94,407,098	No	N/A	Уes
)	2020-21	£86,507,664	No	N/A	Уes

* work undertaken by predecessor auditors

Due to the nature of the welfare system this is inherently a complex and multifaceted area, and because of the number of errors identified historically in the claim, there is automatically a high level of testing that needs to be undertaken (to see if the errors have been addressed), before taking into account any new issues identified in the current year.

The Council completes the workbooks for us to review and the audit team re-performs work on cases on a sample basis. We provided a workshop to officers ahead of starting the work to further streamline the process where we could. The quality of evidence within the workbooks was good and officers have performed a substantial amount of work involving 100% review of cases in one cell population with the aim of reducing the workload for future years.

This is because if 100% of a population is reviewed, any and all errors can therefore be identified. Provided the claim is amended prior to submission, and no additional errors of this kind are identified from further work, the issue becomes "closed" and does not roll forward into future years.

As a result of the work done by the quality assurance team, this applies to 1 test where 100% review was performed and the claim amended accordingly prior to submission.

Issues identified this year

Similar to prior years, a lengthy Reporting Accountant's report was produced, with all content and errors agreed with the Authority prior to submission. We are happy to provide a copy of this letter separately should members wish, but in summary, findings were as follows:

Initial Testing

Non-HRA Rent Rebate

The following errors were noted:

- 3 cases whereby an incorrect tenancy type had been applied
- 2 cases whereby service charges had not been applied correctly
- 1 case which had not been updated for the claimant's tenancy ending.

HRA rent rebate

The following error was noted:

1 case whereby an incorrect tenancy type had been applied

Rent Allowance

The following errors were noted:

- 1 case whereby tax credits had not been implemented correctly
- 1 case whereby rent had been incorrectly calculated
- 1 case where passported benefit had not been applied and therefore earnings had been applied rather than disregarded
- 1 case which had been applied as a housing association when it should have attracted a rent officer's determination.

"CAKE" (cumulative audit knowledge and experience) testing

In line with the requirements of HBAP modules we undertook CAKE testing based upon the preceding Qualification Letter. This involved the authority completing testing of the sub populations in relation to 11 different error types. We reperformed a sample of the Authority's testing and concurred with the results.

There were no CAKE tests which returned no errors and therefore all will be rolled forward to 2021/22 CAKE testing.

Fee

The fee for certification of the housing benefit subsidy claim is based on an anticipated level of work and is adjusted accordingly through a variation based on the actual output. A fee was proposed and agreed of £54,000 (2019/20: £54,000). This was disclosed to you separately in our 2020/21 Audit Plan, as well as our 2020/21 Audit Findings Report along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

Other certification work undertaken

Teachers Pension Return

Background

The Council is required to submit an EOYC (end of year certificate) to Teachers Pensions which sets out Teachers' Pensions contributions split between employer and teacher across the various tiers.

The EOYC is an annual return completed by employers showing the level of teachers' pension contributions that should have been deducted and paid to Teachers' Pensions within the financial year i.e. the totals for the payroll and employer adjustments such as deductions at the incorrect tier which they identify during the financial year. The EOYC should cover all teachers who should be contributing to the TPS and for whom the employer is responsible.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by Teachers Pensions. On conclusion of our work we are required to submit the Council's final EOYC along with our signed Reporting accountant's report directly to Teachers Pensions by the deadline of 30 November.

2020/21 findings

From the 10 tests we are required to undertake, we identified one exception. There was an administration error on a sampled employee's October payslip resulting in a reduction of pensionable pay by the amount of the September backpay of £1,926.17, which was not identified by the monthly contribution report.

The Council completed the EOYC on the basis of what had been paid but, in accordance with paragraph 49 of the Reporting Accountant's guidance, the EOYC form should reflect what should have been paid to Teachers' Pensions (after any error correction) and not what was actually paid over during the year. The EOYC was amended accordingly.

Our Reporting Accountant's report was submitted on 29 November.

Fee

A fee was agreed for this work of £5,500 (2019/20 £5,500). This was disclosed to you separately in our 2020/21 Audit Plan, as well as our 2020/21 Audit Findings Report along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

Pooling of Housing Capital Receipts

Background

The Ministry of Housing, Communities and Local Government (MHCLG) administers the pooling of housing capital receipts scheme.

Use of receipts arising from the disposal of housing assets (i.e. generally assets held under Part II of the Housing Act 1985 and for which account is made in the Housing Revenue Account (HRA)) is governed by the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 (as amended) ("the regulations"). The regulations require that, in short:

- a. receipts arising from Right to Buy (and similar) sales may be retained to cover the cost of transacting the sales and to cover some of the debt on the properties sold, but a proportion of the remainder must be surrendered to central Government;
- b. receipts arising from all other disposals may be retained in full provided they are spent on affordable housing, regeneration or the paying down of housing debt (each of which is defined in the regulations).

The 2020/21 pooling return is an annual return generated by local authorities showing the breakdown of the various elements of the housing capital receipts.

The Council appointed Grant Thornton UK LLP as its Reporting Accountant to undertake agreed upon procedures, as set out by MHCLG. On conclusion of our work we are required to submit the Council's final pooling return, supported by four debt supportable workbooks (one for each quarter) along with our signed Reporting accountant's report directly to MHCLG.

2020/21 findings

From the 23 tests undertaken no exceptions were identified.

Our Reporting Accountant's report was submitted on 4 February in accordance with the deadline.

Fee

A fee was agreed for this work of £5,075 (2019/20:: £5,075). This was disclosed to you separately in our 2020/21 Audit Plan, as well as our 2020/21 Audit Findings Report, along with the reasons as to why we consider ourselves to be independent in relation to this non-audit service.

Appendix 1: Informing the audit risk assessment

Purpose

The purpose of this section of our Progress Report and Indicative Audit Plan is to contribute towards the effective two-way communication between Leicester City Council's external auditors and Leicester City Council's Audit and Risk Committee, as 'those charged with governance'. The report covers some important areas of the auditor risk assessment where we are required to make inquiries of the Audit and Risk Committee under auditing standards.

Background

Under International Standards on Auditing (UK), (ISA(UK)) auditors have specific responsibilities to communicate with the Audit and Risk Committee. ISA(UK) emphasise the importance of two-way communication between the auditor and the Audit and Risk Committee and also specify matters that should be communicated.

This two-way communication assists both the auditor and the Audit and Risk Committee in understanding matters relating to the audit and developing a constructive working relationship. It also enables the auditor to obtain information relevant to the audit from the Audit and Risk Committee and supports the Audit and Risk Committee in fulfilling its responsibilities in relation to the financial reporting process.

Communication

As part of our risk assessment procedures we are required to obtain an understanding of management processes and the Council's oversight of the following areas:

- General Enquiries of Management
- Fraud,
- · Laws and Regulations,
- Related Parties,
- · Going Concern, and
- Accounting Estimates.

This report includes a series of questions on each of these areas and the response we have received from Leicester City Council's management. The Audit and Risk Committee should consider whether these responses are consistent with its understanding and whether there are any further comments it wishes to make.

General Enquiries of Management

Question	Management response
1. What do you regard as the key events or issues that will have a significant impact on the financial statements for 2021/22?	The Covid-19 Pandemic continues to have a significant impact on the financial statements for 2021/22.
2. Have you considered the appropriateness of the accounting policies adopted by Leicester City Council? Have there been any events or transactions that may cause you to change or adopt new accounting policies? If so, what are they?	The Council has completed the annual review of their accounting policies to ensure appropriateness. There have been no events or transactions which have caused us to change or adopt new accounting policies.
3. Is there any use of financial instruments, including derivatives? If so, please explain	The Council has similar types of financial instruments to those in the 2020/21 accounts.
4. Are you aware of any significant transaction outside the normal course of business? If so, what are they?	The Council continues to pay a number of grants out to local businesses during the year which is outside our normal course of business. The Council undertook the purchase of the Haymarket Shopping Centre with in the City.

General Enquiries of Management

	Question	Management response
	5. Are you aware of any changes in circumstances that would lead to impairment of non-current assets? If so, what are they?	There are currently no circumstances that would lead to impairment of non-current assets. However, the valuer when valuing our assets will be considering any circumstances where this could arise.
	6. Are you aware of any guarantee contracts? If so, please provide further details	None currently identified.
	7. Are you aware of the existence of loss contingencies and/or un-asserted claims that may affect the financial statements? If so, please provide further details	None currently identified.
–	8. Other than in house solicitors, can you provide details of those solicitors utilised by Leicester City Council during the year. Please indicate where they are working on open litigation or contingencies from prior years?	The Council uses various solicitors throughout the year and will provide the detail to the auditors during the audit.

General Enquiries of Management

	Question	Management response
	9. Have any of the Council's service providers reported any items of fraud, non-compliance with laws and regulations or uncorrected misstatements which would affect the financial statements? If so, please provide further details	No.
45	10. Can you provide details of other advisors consulted during the year and the issue on which they were consulted?	This information will be provided as part of the audit working papers.
	11. Have you considered and identified assets for which expected credit loss provisions may be required under IFRS 9, such as debtors (including loans) and investments? If so, please provide further details	Yes, information will be provided as part of the audit working papers.

Fraud

Matters in relation to fraud

ISA (UK) 240 covers auditors responsibilities relating to fraud in an audit of financial statements.

The primary responsibility to prevent and detect fraud rests with both the Audit and Risk Committee and management. Management, with the oversight of the Audit and Risk Committee, needs to ensure a strong emphasis on fraud prevention and deterrence and encourage a culture of honest and ethical behaviour. As part of its oversight, the Audit and Risk Committee should consider the potential for override of controls and inappropriate influence over the financial reporting process.

As Leicester City Council's external auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error. We are required to maintain professional scepticism throughout the audit, considering the potential for management override of controls.

As part of our audit risk assessment procedures we are required to consider risks of fraud. This includes considering the arrangements management has but in place with regard to fraud risks including:

- · assessment that the financial statements could be materially misstated due to fraud,
- process for identifying and responding to risks of fraud, including any identified specific risks,
- communication with the Audit and Risk Committee regarding its processes for identifying and responding to risks of fraud, and
- communication to employees regarding business practices and ethical behaviour.

We need to understand how the Audit and Risk Committee oversees the above processes. We are also required to make inquiries of both management and the Audit and Risk Committee as to their knowledge of any actual, suspected or alleged fraud. These areas have been set out in the fraud risk assessment questions below together with responses from Leicester City Council's management.

Question	Management response
1. Has Leicester City Council assessed the risk of material misstatement in the financial statements due to fraud?	The Council has assessed the risk of material misstatement in the financial statements due to fraud to be limited.
How has the process of identifying and responding to the risk of fraud been undertaken and what are the results of this process?	The Council will challenge the figures within the accounts and will gain assurance over controls from internal audit.
How do the Council's risk management processes link to financial reporting?	If the Council identifies any concerns over internal controls then processes are reviewed and new controls are implemented. The Council has not identified any concerns over financial controls over the current year. We try to learn lessons from others experiences.
	When the Council identifies risks a review will be undertaken to identify any potential financial impact.
2. What have you determined to be the classes of accounts, transactions and disclosures most at risk to fraud?	Procurement exercises/contracts, Right to Buy of council properties, small business rate relief, business grants and subletting council properties.
3. Are you aware of any instances of actual, suspected or alleged fraud, errors or other irregularities either within Leicester City Council as a whole or within specific departments since 1 April 2021? If so, please provide details.	The Council has a counter fraud team who are responsible for investigating instances of fraud. The team report to Audit & Risk Committee periodically, to provide an update on any instances of fraud and actions taken.

Question	Management response
4. As a management team, how do you communicate risk issues (including fraud) to those charged with governance?	The team report to Audit & Risk Committee periodically, to provide an update on any instances of fraud and actions taken
5. Have you identified any specific fraud risks? If so, please provide details	The Council is at particular risk of fraud in the usual higher risk areas e.g repairs and maintenance, procurement and contract management.
Do you have any concerns there are areas that are at risk of fraud?	The Council has the relevant controls in place to try and prevent fraud.
Are there particular locations within Leicester City Council where fraud is more likely to occur?	This is further supported by the reports of internal audit.
6. What processes do Leicester City Council have in place to identify and respond to risks of fraud?	 The Council has a clear governance framework summarised below: Mayor, Executive & Council Decision Making Risk Management Scrutiny & Review Corporate Management Team Further to the Council has various codes and rules, including Financial Procedure Rules, Codes of Conducts, Anti-Fraud, Bribery & Corruption Policy. Further to this the Council participates in the National Fraud Initiative. There are ongoing discussions with colleagues at Leicestershire County Council to explore the possibility of assessing each other's organisation using the CIPFA Code of Practice on Managing the Risk of Fraud and Corruption.

7. How do you assess the overall control environment for	
 Leicester City Council, including: the existence of internal controls, including segregation of duties; and the process for reviewing the effectiveness the system of internal control? If internal controls are not in place or not effective where are the risk areas and what mitigating actions have been taken? What other controls are in place to help prevent, deter or detect fraud? Are there any areas where there is a potential for override of controls or inappropriate influence over the financial reporting process (for example because of undue pressure to achieve financial targets)? If so, please provide details 	Council outsources its internal audit function to Leicestershire County Council to re regular review of it's control environment. Outcomes of audit reports are regularly reported to Senior management and the to Senior

	Question	Management response
	9. How does Leicester City Council communicate and encourage ethical behaviours and business processes of it's staff and contractors? How do you encourage staff to report their concerns about fraud? What concerns are staff expected to report about fraud? Have any significant issues been reported? If so, please provide details	 The Council uses various options to communicate with employees including; Staff intranet, established internal communication channels Organisational development team, delivering staff training Information assurance team to support data policies The Council encourages staff to report their concerns regarding fraud through the following policies; Anti-fraud, Bribery & Corruption Policy Whistleblowing Policy
አ0	10. From a fraud and corruption perspective, what are considered to be high-risk posts?How are the risks relating to these posts identified, assessed and managed?	Director of Finance Treasury & Investments Manager Risks associated by the above posts are managed through having appropriate controls in place, to reduce the potential for fraud or corruption. LCC undertake ID checks on applicants and also fully participate in the NFI project. This provides further assurance as this allows the payroll file to be cross matched against the directorships of companies with whom the council do business. Work is ongoing to centralise the conflict of interest file and this will be checked against all new procurement exercises.
	11. Are you aware of any related party relationships or transactions that could give rise to instances of fraud? If so, please provide details How do you mitigate the risks associated with fraud related to related party relationships and transactions?	The Council is unaware of any related party relationships that could give rise to instances of fraud. The Council maintains information on any related parties to ensure any risks can be mitigated and appropriate controls are in place.

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	Question	Management response
Ω.	12. What arrangements are in place to report fraud issues and risks to the Audit and Risk Committee? How does the Audit and Risk Committee exercise oversight over management's processes for identifying and responding to risks of fraud and breaches of internal control? What has been the outcome of these arrangements so far this year?	Two reports are submitted to the Audit & Risk Committee annually to report on fraud issues with an additional report on the National Fraud Initiative each year. Along with this internal audit also report to committee on outcomes from internal audits.
	13. Are you aware of any whistle blowing potential or complaints by potential whistle blowers? If so, what has been your response?	No
	14. Have any reports been made under the Bribery Act? If so, please provide details.	No

Law and regulations

Matters in relation to laws and regulations

ISA (UK) 250 requires us to consider the impact of laws and regulations in an audit of the financial statements.

Management, with the oversight of the Audit and Risk Committee, is responsible for ensuring that Leicester City Council's operations are conducted in accordance with laws and regulations including those that determine amounts in the financial statements.

As auditor, we are responsible for obtaining reasonable assurance that the financial statements are free from material misstatement due to fraud or error, taking into account the appropriate legal and regulatory framework. As part of our risk assessment procedures we are required to make inquiries of management and the Audit and Risk Committee as to whether the entity is in compliance with laws and regulations. Where we become aware of information of non-compliance or suspected non-compliance we need to gain an understanding of the non-compliance and the possible effect on the financial statements.



Risk assessment questions have been set out below together with responses from management.

Impact of laws and regulations

	Question	Management response
	1. How does management gain assurance that all relevant laws and regulations have been complied with?	The Council employs legal professionals to ensure it remains compliant with all relevant laws and regulations.
රා	What arrangements does Leicester City Council have in place to prevent and detect non-compliance with laws and regulations? Are you aware of any changes to the Council's regulatory environment that may have a significant impact on the Council's financial statements?	Legal implications are included on all relevant decision-making reports, scrutiny reports and a number of internal briefing reports. On a case-by-case basis lawyers are embedded into the operational decision-making structures within client areas (child protection, adults safeguarding, HR etc). A Quarterly Governance Panel comprising the Chief Operating Officer and the two Statutory Officers has been set up to provide an additional layer of scrutiny to what are regarded as the Council's high-risk activities/schemes.
	2. How is the Audit and Risk Committee provided with assurance that all relevant laws and regulations have been complied with?	Legal implications are included on all reports taken to Committee, including to the Audit and Risk Committee.
	3. Have there been any instances of non-compliance or suspected non-compliance with laws and regulation since 1 April 2021 with an on-going impact on the 2021/22 financial statements? If so, please provide details.	There have been no known instances of significant non-compliance with law and regulation.
	4. Are there any actual or potential litigation or claims that would affect the financial statements? If so, please provide details.	The Council is aware that there is a pending claim lodged with HMCTS, the full details of which have not yet been disclosed, that was lodged by Biffa Leicester Limited. In the event the claim progresses the full details will be known by the end of June 2022.

Impact of laws and regulations

Question	Management response
5. What arrangements does Leicester City Council have in place to identify, evaluate and account for litigation or claims?	All legal work is undertaken on a single specialist case management software system. In individual client areas (e.g. debt recovery, care proceedings, employment law etc) regular client liaison meetings occur or data is shared. Elevation mechanisms within Legal Services ensure that high profile cases are referenced with senior management. Our insurance arrangements are closely managed to ensure that insurable claims are efficiently handled. All Judicial Review claims are brought to the attention of the City Barrister.
6. Have there been any report from other regulatory bodies, such as HM Revenues and Customs which indicate non-compliance? If so, please provide details.	No

Related Parties

Matters in relation to Related Parties

Leicester City Council are required to disclose transactions with entities/individuals that would be classed as related parties. These may include:

- entities that directly, or indirectly through one or more intermediaries, control, or are controlled by Leicester City Council;
- associates;
- joint ventures;
- מי an entity that has an interest in the authority that gives it significant influence over the Council;
 - key management personnel, and close members of the family of key management personnel, and
 - post-employment benefit plans (pension fund) for the benefit of employees of the Council, or of any entity that is a related party of the Council.

A disclosure is required if a transaction (or series of transactions) is material on either side, i.e. if a transaction is immaterial from the Council's perspective but material from a related party viewpoint then the Council must disclose it.

ISA (UK) 550 requires us to review your procedures for identifying related party transactions and obtain an understanding of the controls that you have established to identify such transactions. We will also carry out testing to ensure the related party transaction disclosures you make in the financial statements are complete and accurate.

Related Parties

	Question	Management response
	 Have their been any changes in the related parties disclosed in Leicester City Council's accounts? If so please summarise: the nature of the relationship between these related parties and Leicester City Council whether Leicester City Council has entered into or plans to enter into any transactions with these related parties the type and purpose of these transactions 	This work to identify related party transactions is currently being completed.
ר	2. What controls does Leicester City Council have in place to identify, account for and disclose related party transactions and relationships?	Members & Directors are asked to complete an annual declaration. The Council also takes part in the National Fraud Initiative.
	3. What controls are in place to authorise and approve significant transactions and arrangements with related parties?	All transactions are approved in line with the Financial Procedure Rules.
	4. What controls are in place to authorise and approve significant transactions outside of the normal course of business?	All transactions are approved in line with the Financial Procedure Rules.

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Going Concern

Matters in relation to Going Concern

The audit approach for going concern is based on the requirements of ISA (UK) 570, as interpreted by Practice Note 10: Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020). It also takes into account the National Audit Office's Supplementary Guidance Note (SGN) 01: Going Concern – Auditors' responsibilities for local public bodies.

Practice Note 10 confirms that in many (but not all) public sector bodies, the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the body's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist.

For this reason, a straightforward and standardised approach to compliance with ISA (UK) 570 will often be appropriate for public sector bodies. This will be a proportionate approach to going concern based on the body's circumstances and the applicable financial reporting framework. In line with Practice Note 10, the auditor's assessment of going concern should take account of the statutory nature of the body and the fact that the financial reporting framework for local government presume going concern in the event of anticipated continuation of provision of the services provided by the body. Therefore, the public sector auditor applies a 'continued provision of service approach', unless there is clear evidence to the contrary. This would also apply even where those services are planned to transfer to another body, as in such circumstances, the underlying services will continue.

For many public sector bodies, the financial sustainability of the body and the services it provides are more likely to be of significant public interest than the application of the going concern basis of accounting. Financial sustainability is a key component of value for money work and it is through such work that it will be considered.

Going Concern

	Question	Management response		
	1. What processes and controls does management have in place to identify events and / or conditions which may indicate that the statutory services being provided by Leicester City Council will no longer continue?	The Council completes an Annual Budget report each year that goes to the Overview Select Committee (and other scrutiny committees) for scrutiny and then to Full Council for approval. This includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.		
סק	2. Are management aware of any factors which may mean for Leicester City Council that either statutory services will no longer be provided or that funding for statutory services will be discontinued? If so, what are they?	None currently identified.		
	3. With regard to the statutory services currently provided by Leicester City Council, does the Council expect to continue to deliver them for the foreseeable future, or will they be delivered by related public authorities if there are any plans for Leicester City Council to cease to exist?	Leicester City Council expects to continue to deliver statutory services.		
	4. Are management satisfied that the financial reporting framework permits Leicester City Council to prepare its financial statements on a going concern basis? Are management satisfied that preparing financial statements on a going concern basis will provide a faithful representation of the items in the financial statements?	Yes, as per above the Council completes an Annual Budget report each year which includes medium term forecasts and risks to those forecasts, as well as future action required to remain a going concern.		

Accounting estimates

Matters in relation to Related Accounting estimates

ISA (UK) 540 (Revised December 2018) requires auditors to understand and assess an entity's internal controls over accounting estimates, including:

- The nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates;
- How management identifies the need for and applies specialised skills or knowledge related to accounting estimates;
- How the entity's risk management process identifies and addresses risks relating to accounting estimates;
- π The entity's information system as it relates to accounting estimates;
 - The entity's control activities in relation to accounting estimates; and
 - How management reviews the outcomes of previous accounting estimates.

As part of this process auditors also need to obtain an understanding of the role of those charged with governance, which is particularly important where the estimates have high estimation uncertainty, or require significant judgement.

Specifically do Audit and Risk Committee members:

- · Understand the characteristics of the methods and models used to make the accounting estimates and the risks related to them;
- Oversee management's process for making accounting estimates, including the use of models, and the monitoring activities undertaken by management; and
- Evaluate how management made the accounting estimates?

We would ask the Audit and Risk Committee to satisfy itself that the arrangements for accounting estimates are adequate.

Accounting Estimates - General Enquiries of Management

	Question	Management response
	. What are the classes of transactions, events and conditions, that are significant to the financial statements that give rise to the need for, or changes n, accounting estimate and related disclosures?	None at this time.
	2. How does the Council's risk management process dentify and addresses risks relating to accounting estimates?	The risk management process is identifying the professionals that are used to provide the accounting estimates e.g. valuers and actuaries. In addition, we have professional integrity.
က	B. How do management identify the methods, assumptions or source data, and the need for changes in them, in relation to key accounting estimates?	The professionals will use updated information to base their estimates. For examples the valuer will look at the markets and review the Royal Institute of Chartered Surveyors (RICS) guidance for the year.
	H. How do management review the outcomes of previous accounting estimates?	Management will have an oversight of the assumptions used for the estimates and ensure they are reviewed annually. In addition, where there are significant changes explanations from the professional will be requested.
	5. Were any changes made to the estimation processes in 2021/22 and, if so, what was the reason for these?	None at this time.

Accounting Estimates - General Enquiries of Management

	Question	Management response
	6. How do management identify the need for and apply specialised skills or knowledge related to accounting estimates?	Management will use professionals with the specialised skills or knowledge for calculating accounting estimates this will be Accountants, Valuers and Actuary's.
	7. How does the Council determine what control activities are needed for significant accounting estimates, including the controls at any service providers or management experts?	All accounting estimates are reviewed annually and throughout the closedown process.
~	8. How does management monitor the operation of control activities related to accounting estimates, including the key controls at any service providers or management experts?	As previously detailed management will review assumptions used for calculating accounting estimates and ensure any changes have an explanation.
	 9. What is the nature and extent of oversight and governance over management's financial reporting process relevant to accounting estimates, including: Management's process for making significant accounting estimates The methods and models used The resultant accounting estimates included in the financial statements. 	The estimates are reviewed by the management in the relevant specialisms and by the management reviewing the Statement of Accounts.

Accounting Estimates - General Enquiries of Management

	Question	Management response
	10. Are management aware of transactions, events, conditions (or changes in these) that may give rise to recognition or disclosure of significant accounting estimates that require significant judgement (other than those in Appendix A)? If so, what are they?	No No
3	11. Are the management arrangements for the accounting estimates, as detailed in Appendix A reasonable?	Yes
	12. How is the Audit and Risk Committee provided with assurance that the arrangements for accounting estimates are adequate?	The material estimates are reported in the Statement of Accounts. Further to this briefing & training sessions are completed with the Audit & Risk Committee to ensure they understand the arrangements used for completion including estimates. The Committee is encouraged to ask questions to gain assurance that officers are able to provide robust answers.

Accounting Estimates

	Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
တိ	Land and buildings valuations	Non-dwelling property valuations are planned at the beginning of each financial year by Estates & Building Services. The Valuer is asked to provide estimated property values as at the end of the financial year using forecast valuation indices. Programme of planned valuations maintained by Estates & Building Services to ensure that all land and buildings are regularly revalued. Forward indices published by the Building Cost Information Service are used to forecast property values at the Balance Sheet date.	The Valuer reviews valuations at the Balance Sheet date to Ascertain appropriateness of estimated valuations and therefore any material under- or overstatement.	RICS valuers are appointed to undertake the annual valuations	Actual indices will not vary greatly from forecast indices.	No

Accounting Estimates (continued)

	Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
	Council dwelling valuations	An annual valuation of Council dwellings is conducted by external consultants Wilks Head and Eve LLP.	Verification checks will be conducted on the valuations provided.	Yes – Wilks Head and Eve LLP.	The valuations will be conducted in line with relevant guidance.	No
64	Depreciation)	Useful lives received from RICS valuers appointed to undertake valuations.	Checks to ensure reasonableness.	Yes - RICS valuers	At the end of 2020-21 financial year it was estimated that the estimated annual depreciation charge for buildings would increase by approximately £2m for every year that useful lives had to be reduced.	No
	Valuation of defined benefit net pension fund liabilities	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.	Checks to the reasonableness of assumptions in the actuaries report are made	Yes (actuary for LGPS administered by Leicestershire County Council)	The effects of the net pension liability of changes in individual assumptions can change the liability significantly. For example, an 0.1% decrease in the Real Discount rate would mean a 2% increase to the employers liability. Which in 2020/21 would have amounted to approximately £48m.	No.

Accounting Estimates (continued)

	Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
0.5	Level 2 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No
	Level 3 investments	Where there are material balances, models are provided from the council's treasury advisors, to calculate the estimated fair values.	Corporate accountant reviews appropriateness of estimated valuations.	Treasury advisors (Arlingclose)	Sensitivity analysis in Nature and Extent of Risks arising from Financial Instruments note to the accounts.	No
	Fair value estimates	Fair value estimates are covered above i.e. in financial instruments and in PPE valuations for PPE related.				

Accounting Estimates (continued)

	Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
66	Provisions-Bad Debt	A bad debt provision is calculated based on the age & total of outstanding debt at the balance sheet date. Standard percentages and knowledge of individual circumstances are used.	Reviewed to ensure significant movements are understood and are prudent.	No	No policy or legal change affects the collection of this debt.	No
	Provisions- Insurance Claims	This is estimated based on the claims received and which are expected to be Settled.	The Insurance claims database is used, providing the estimate. Claims provisions are normally reviewed by an actuary every 2 years.	Insurance companies & Actuaries	Insurance Companies & Actuaries.	No

Accounting Estimates (continued)

	Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?	
67	Provisions - Business Rates	Business Rates appeals - Judgement is applied based on data from the Valuation Office Agency regarding outstanding appeals and the likelihood of success. The amount of the reduction and the backdating of the appeal have been based upon averages of historic settled appeals data and any other known information.	Different averages are calculated for the different types of appeals and property Types.	Revenues Manager	The calculation is based on a range of sources including professional advice. If the volume and outcome of appeals differs significantly from the assumptions then this will impact on the level of provision.	No	
	Accruals	Various methods used, depending on each set of circumstances.	Management checks on journals.	No	Supporting information provided for accruals to evidence the underlying assumptions behind the accrual.	No	
	Credit loss and impairment allowances	Various methods used, depending on each set of circumstances.	Check with management i.e. treasury manger, head of finance etc. to ensure estimates are reasonable.	No	Sensitivity analysis included in working paper.	No	

Accounting Estimates (continued)

	Estimate	Method / model used to make the estimate	Controls used to identify estimates	Whether Management have used an expert	Underlying assumptions: - Assessment of degree of uncertainty - Consideration of alternative estimates	Has there been a change in accounting method in year?
00	Finance lease liabilities	Follow the CIPFA code of practice in determining finance lease liabilities.	Mostly property leases and they are valued by a RICS valuer.	For property leases RICS valuers are appointed to undertake the annual valuations.	Lease liability determined by following CIPFA code of practice.	No
	PFI liabilities	Total payments due under existing PFI schemes are split between payments for services, reimbursement of capital expenditure, interest and lifecycle costs. The split being derived from detailed cash flow models provided at the commencement of each scheme. PFI liabilities are reduced by payments made during the year. The financial model details the cash flows of the schemes.	Changes to outstanding liabilities are measured against the financial model and split between current and noncurrent accordingly.	No	It is assumed that the PFI schemes will progress as planned with specifications remaining unchanged. PFI unitary payments are being made as per the financial model.	No

Appendix 2: Sector Update

Sector Update

Authorities continue to try to achieve greater efficiency in the delivery of public services, whilst facing the challenges to address rising demand, ongoing budget pressures and social inequality.

Our sector update provides you with an up to date summary of emerging national issues and developments to support you. We cover areas which may have an impact on your organisation, the wider local government sector and the public sector as a whole. Links are provided to the detailed report/briefing to allow you to delve further and find out more.

Our public sector team at Grant Thornton also undertake research on service and technical issues. We will bring you the latest research publications in this update. We also include areas of potential interest to start conversations within the organisation and with Audit and Risk Committee members, as well as any accounting and regulatory updates.

- Grant Thornton Publications
- Insights from local government sector specialists
- Reports of interest
- Accounting and regulatory updates

More information can be found on our dedicated public sector and local government sections on the Grant Thornton website by clicking on the logos below:

Public Sector

Local government

Government response to MHCLG Select Committee report on Local Authority financial sustainability & the section 114 regime – MHCLG

Government has published a response to the Housing, Communities & Local Government (HCLG) Committee report on local authority financial sustainability and the section 114 regime, published in July.

The HCLG report states "In recent years, the financial sustainability of local government has faced successive challenges, including increased demand for services, especially social care, changes to the level of funding equalisation between councils and, most recently, the COVID-19 pandemic. In some instances, councils have been in such acute financial trouble that they have approached the Ministry of Housing, Communities and Local **→** Government for financial assistance; three of these—Northamptonshire in 2018, Croudon in late 2020 and Slough in July 2021—issued section 114 notices, essentially declaring they had run out of money. Our inquiry has sought to identify the most serious threats facing local councils' finances. In light of the various factors we consider in the report, including the somewhat delayed Fairer Funding Review, renewed discussion about property taxes and the need to reform funding for social care, the time is right to consider a more radical review of local government finances—and our report makes various recommendations about how this should be done. We also consider what happened at Croydon—which prompted us to look at the section 114 regime—in the annex to our report."

The report includes sections on:

- Social Care
- Funding
- COVID-19
- · Local authority commercial investment
- · Audit and control

The report made 13 recommendations, and the Government response to these was published in October. The response notes "Moving forward, we will work to provide the sector with a sustainable financial footing, enabling it to deliver vital frontline service and support other government priorities. We will also take stock, including of the impact of the pandemic on local authority resources and service pressures, to determine any future reforms."

The initial report can be found here:

https://committees.parliament.uk/publications/6777/documents/72117/default/

Government response can be found here:

https://www.gov.uk/government/publications/local-authority-financial-sustainability-and-thesection-114-regime



House of Commons

Housing, Communities and Local Government Committee

Local authority financial sustainability and the section 114 regime

Second Report of Session 2021–22

Report, together with formal minutes relating to the report

Ordered by the House of Commons to be printed 14 July 2021

Public Accounts Committee (PAC) – Local auditor reporting on local government in England & government response

The PAC inquiry examined the timeliness of auditor reporting on English local public bodies' financial statements covering 2019-20. The National Audit Office (NAO) report, on which this inquiry is based, found that "delays in the delivery of audit opinions beyond the deadlines for publishing local authority accounts, alongside concerns about audit quality and doubts over audit firms' willingness to continue to audit local public bodies, highlight that the situation needs urgent attention."

The PAC report found "Without urgent action from government, the audit system for local authorities in England may soon reach breaking point. With approximately £100 billion of local government spending requiring audit each year, the Ministry of Housing, Communities & Local Government (the Department) has become increasingly complacent in its oversight of a local audit market now entirely reliant upon only eight firms, two of which are responsible for up to 70% of local authority audits. This has not been helped by the growing complexity of local authority accounts, with audit firms now asked to carry out more work in each audit, comply with new regulatory demands and adapt to the new multifaceted landscape in which local authorities operate, while also struggling to hire and retain experienced auditors."

Key conclusions were:

- The marked decline in the timeliness of external audit undermines accountability and hampers effective decision-making.
- There is a pressing risk of market collapse due to an over reliance on a small number of audit firms and significant barriers to entry.
- The commercial attractiveness to audit firms of auditing local authorities has declined.

- The rapidly diminishing pool of suitably qualified and experienced staff increases the risks to the timely completion of quality audits.
- We are not convinced that the recently announced new local audit arrangements will meet the pressing need for effective system leadership now.
- Unless local authority accounts are useful, relevant and understandable they will not aid accountability.

The report made recommendations in each of these areas. The government response was published on 28 October.

The PAC report and response can be found here:

<u>Timeliness of local auditor reporting on local government in England - Committees - UK Parliament</u>



House of Commons
Committee of Public Accounts

Local auditor reporting on local government in England

Eleventh Report of Session 2021-22

2020/21 audited accounts - Public Sector Audit Appointments

Public Sector Audit Appointments (PSAA) has reported that only 9% of local government audits for 2020/21 were completed by the end of September. This is a sharp contraction on the 45% filed on time for 2019-20, and is the third successive year where the number of accounts produced on schedule has reduced.

PSAA state "The challenges posed by COVID-19 have contributed to the current position. However, a range of further pressures documented in the Redmond Report are also continuing to impact performance. In particular there is a shortage of auditors with the knowledge and experience to deliver the required higher quality audits of statements of accounts, which increasingly reflect complex structures and transactions, within the timeframe expected. The growing backlog of audits is also a concern, with 70 of the 2019/20 audits still incomplete."

Grant Thornton commented "Audit quality remains a priority for our firm and we continue to work hard with local audit stakeholders to ensure the delivery of high quality audits in as timely a fashion as is practicable. Unfortunately, much of this work will be delivered past the 30 September target date, owing to ongoing constraints posed by the COVID-19 pandemic and the backlog this has caused. We remain committed to public sector audit and are now focused on delivering the majority of our local audits by December 2021."



The news article can be found here: https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/

2023-24 audit appointments – Public Sector Audit Appointments

Following a consultation exercise Public Sector Audit Appointments (PSAA) has invited all principal local government including police and fire bodies to become opted-in authorities. At the same time it published its procurement strategy and prospectus for the national scheme from April 2023. Both documents have evolved in response to the feedback provided by the market engagement exercise and consultation on the draft prospectus undertaken during June 2021.

PSAA state "Our primary aim is to secure the delivery of an audit service of the required quality for every opted-in body at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local public audit services.

The objectives of the procurement are to maximise value for local public bodies by:

- securing the delivery of independent audit services of the required quality;
- awarding long term contracts to a sufficient number of firms to enable the deployment of an appropriately qualified auditing team to every participating body;
- encouraging existing suppliers to remain active participants in local audit and creating opportunities for new suppliers to enter the market;
- encouraging audit suppliers to submit prices which are realistic in the context of the current market;
- enabling auditor appointments which facilitate the efficient use of audit resources;
- supporting and contributing to the efforts of audited bodies and auditors to improve the timeliness of audit opinion delivery; and

• establishing arrangements that are able to evolve in response to changes to the local audit framework.

PSAA set out the proposed timeline, which anticipates contracts being awarded in August 2022.



The news article can be found here:

https://www.psaa.co.uk/2021/09/psaa-publishes-its-prospectus-and-procurement-strategy-and-invites-eligible-bodies-to-opt-in-from-april-2023/

The procurement strategy can be found here:

https://www.psaa.co.uk/about-us/appointing-person-information/appointing-period-2023-24-2027-28/procurement-strategy/

Guide to support Value for Money (VfM) analysis for public managers – CIPFA

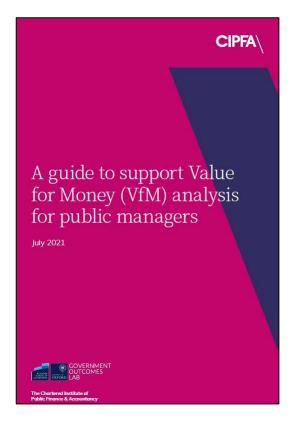
The Chartered Institute of Public Finance and Accountancy (CIPFA) has published this guide which complements a VfM toolkit which has been published separately. Both were developed under a collaborative project between Government Outcomes Lab (GO Lab) and CIPFA.

CIPFA state "The guide is aimed at public managers planning to assess Value for Money (VfM) of outcomes-based contract (OBC) programmes, or any other type of programme with an outcome-focus, using prospective information. This involves assessing economic validity of the programme with respect to 'doing nothing' as well as the closest comparator."

CIPFA explain that the guide:

- Describes what VfM represents in public provision of social services with a special focus on outcome-based contracts (OBCs). In particular the guide emphasises the link between economy and effectiveness criteria.
- Promotes thinking about longer-term effects of interventions, such as outcomes and impact, at the design/planning stage of programmes.
 This means that having a good appreciation for efficiency is helpful but not necessary, especially when outcomes are both identifiable and measurable.
- Explain how it could be used to appraise public programmes with respect to anticipated costs and value of them using prospective information.

The guide is available to CIPFA members through the website.



Climate change risk: A good practice guide for Audit and Risk Assurance Committees - NAO

The National Audit Office (NAO) has published this guide to help Audit and Risk Committees recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks.

The NAO comment "Audit and Risk Assurance Committees (ARACs) play a key role in supporting and advising the board and Accounting Officer in their responsibilities over risk management.

This guide will help ARACs recognise how climate change risks could manifest themselves and support them in challenging senior management on their approach to managing climate change risks. We have outlined specific reporting requirements that currently apply.

Our primary audience is ARAC chairs of bodies that we audit, but the principles of the guide will be relevant for bodies across the wider public sector. It promotes good practice and should not be viewed as mandatory guidance.

Climate change and the nature of its impacts on organisations globally is changing rapidly. This guide acknowledges the evolving nature of climate change and its associated risks and opportunities and will be refreshed in the future to reflect those changes."

The guide includes sections on "How to support and challenge management". This includes sections on governance and leadership; collaboration; risk identification and assessment; risk treatment, monitoring and reporting and continual improvement. There is also a "Complete list of questions that Audit and Risk Assurance Committees can ask" for each of these areas. The guide also includes "Key guidance and good practice materials" with links.



The report can be found here:

Climate change risk: A good practice guide for Audit and Risk Assurance Committees - National Audit Office (NAO) Report

Local government and net zero in England - NAO

The National Audit Office (NAO) report responds to a request from the Environmental Audit and Risk Committee to examine local government and net zero. It considers how effectively central government and local authorities in England are collaborating on net zero, in particular to:

- clarify the role of local authorities in contributing to the UK's statutory net zero target; and
- ensure local authorities have the right resources and skills for net zero.

The NAO comment "While the exact scale and nature of local authorities' roles and responsibilities in reaching the UK's national net zero target are to be decided, it is already clear that they have an important part to play, as a result of the sector's powers and responsibilities for waste, local transport and social housing, and through their influence in local communities. Government departments have supported local authority work related to net zero through targeted support and funding. However, there are serious weaknesses in central government's approach to working with local authorities on decarbonisation, stemming from a lack of clarity over local authorities' overall roles, piecemeal funding, and diffuse accountabilities. This hampers local authorities' ability to plan effectively for the long-term, build skills and capacity, and prioritise effort. It creates significant risks to value for money as spending is likely to increase quickly.

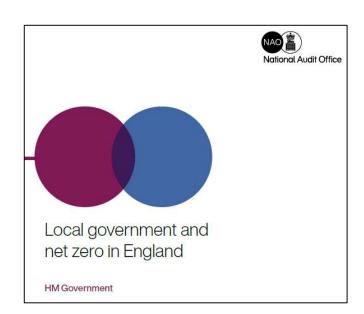
MHCLG, BEIS and other departments recognise these challenges and are taking steps to improve their approach. Their progress has understandably been slowed by the COVID-19 pandemic, but there is now great urgency to the development of a more coherent approach."

Key findings include:

- Central government has not yet developed with local authorities any overall expectations about their roles in achieving the national net zero target.
- There is little consistency in local authorities' reporting on net zero, which makes it difficult to get an overall picture of what local authorities have achieved.
- Neither MHCLG nor HM Treasury has assessed the totality of funding that central government provides to local government that is linked with net zero.

The report can be found here:

https://www.nao.org.u k/report/localgovernment-and-netzero-in-england/



Cyber and information security: Good practice guide - NAO

The National Audit Office (NAO) has published this guide to help Audit and Risk Committees scrutinise cyber security arrangements. To aid them, this guidance complements government advice by setting out high-level questions and issues for Audit and Risk Committees to consider.

The NAO state "Audit and Risk Committees should gain the appropriate assurance for the critical management and control of cyber security and information risk.

Cyber security is the activity required to protect an organisation's data, devices, networks and software from unintended or unauthorised access, change or destruction via the internet or other communications systems or technologies. Effective cyber security relies on people and management of processes as well as technical controls.

Our guide supports Audit and Risk Committees to work through this complexity, being able to understand and question the management of cyber security and information risk.

It takes into account several changes which affect the way in which we interact with and manage our information and can drive increased risk. These include changes to the way we work and live due to the COVID-19 pandemic and the ongoing demand to digitise and move to cloud-based services.

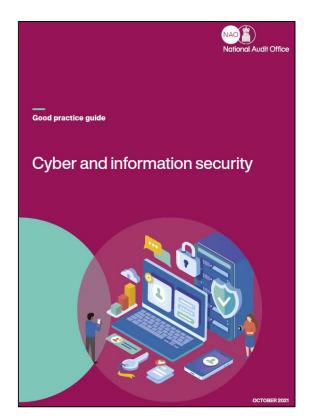
The strategic advice, guidance and support provided by government has also been updated to keep pace with these changes, detailing the impact and risks on the management of cyber security and information risk.

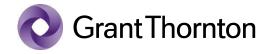
The guide provides a checklist of questions and issues covering:

- The overall approach to cyber security and risk management
- Capability needed to manage cyber security
- Specific aspects, such as information risk management, engagement and training, asset management, architecture and configuration, vulnerability management, identity and access management, data security, logging and monitoring and incident management."

The report can be found here:

https://www.nao.org.uk/report/c yber-security-and-informationrisk-guidance/





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Appendix D



WARDS AFFECTED: ALL

Audit and Risk Committee

16th March 2022

Regulation of Investigatory Powers Act 2000
Bi-Annual Performance Report July 2021 - December 2021

Report of the City Barrister and Head of Standards

1. Purpose of the Report

The report advises on the performance of the Council in authorising Regulatory Investigation Powers Act (RIPA) applications from 1st July 2021 to 31st December 2021.

2. Summary

2.1 The Council applied for 0 Directed Surveillance Authorisation and 0 Communications Data Authorisations in the period above.

3. Recommendations

The Committee is recommended to:

- 3.1 Receive the Report and note its contents.
- 3.2 Make any recommendations or comments it sees fit either to the Executive or to the City Barrister and Head of Standards.

4 Report

4.1 The Council has applied for 0 Directed Surveillance Authorisation and 0 Communications Data Authorisations in the first half of 2021.

5. Financial, Legal Implications

5.1 Financial Implications

There are no financial implications arising directly from this report, although the Council could incur legal costs should procedures not be correctly followed – Colin Sharpe (Deputy Director of Finance) ext. 37 4081.

5.2 Legal Implications

There are no legal implications arising directly from this report, although the Council could incur legal costs should procedures not be correctly followed – Kamal Adatia (City Barrister and Head of Standards) ext. 37 1402.

6. Other Implications

OTHER IMPLICATIONS	YES/NO	Paragraph References Within Supporting Information
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	No	
Human Rights Act	Yes	HRA Article 8 must be considered for all applications
Elderly/People on Low Income	No	
Risk Management	No	

7. Report Author / Officer to contact:

Lynn Wyeth, Head of Information Governance & Risk, Legal Services - Ext 37 1291

17th February 2022

Appendix E

Risk Management and Business Continuity Strategy and Policies 2022

Audit and Risk Committee

Date of meeting: 16th March 2022

Lead director: Miranda Cannon

Useful information

■ Ward(s) affected: All Wards

■ Report author: Sonal Devani

■ Author contact details: (0116) 454 1635 / 37 1635; sonal.devani@leicester.gov.uk

■ Report version number: Version 1

1. Summary

The purpose of this report is to present to the Audit and Risk Committee (A&RC) the Risk Management and Business Continuity Policy Statement and Strategies (Appendix 1 and 2), which provide an effective framework for Leicester City Council (LCC) to manage and respond to key risks facing its services and to support the delivery of its Business Plan.

Effective risk management is essential for organisations and their partners to achieve strategic objectives and to deliver and improve outcomes to its stakeholders including local people. Good risk management determines and manages both positive and negative aspects of risk and officers are not required to be risk averse as part of this process (more detail at paragraph 3.3).

2. Recommended actions/decision

A&RC is recommended to note, on behalf of council, the updated:

- Corporate Risk Management Policy Statement and Strategy at Appendix 1. This
 sets out the council's attitude to risk, the approach to be adopted to manage the
 challenges and opportunities facing officers; and
- Corporate Business Continuity Management Policy Statement and Strategy at **Appendix 2.** This sets out the council's attitude, perception and approach towards implementing business continuity practices.

3. Detailed report

Risk Management Strategy and Policy 2022

- 3.1 The council's original Risk Management Policy and Strategy was approved by Cabinet in 2009, with subsequent updates approved each year (since 2012 by the Executive). The Risk Management Strategy sets how the council can tackle the risks it faces. It plays a vital part in the overall governance framework of the council and is particularly important in the current environment given the need to deliver our services in an effective and efficient way.
- 3.2 To date, improvements have been made in strengthening risk management arrangements within the council's diverse business units. In line with our agreed corporate approach, a review of the Risk Policy and Strategy has taken place to reflect any developments made in the industry and to support internal risk procedures / processes. Substantive amendments were not made in this year's review that would affect the risk management process.

The revised strategy will continue to help embed risk management throughout the council (see paragraph 4.1 for further detail).

- 3.3 Effective risk management is essential for organisations and their partners to achieve strategic objectives and improve outcomes for local people. Good risk management looks at and manages both positive and negative aspects of risk. Officers are not required to be risk averse. This process allows the council to methodically address the possibility of risks stemming from its activities with the aim of achieving sustained benefit within each activity and across the portfolio of all its activities. The council's risk management process should (and if the policy is complied with, does) allow this 'positive risk taking' to be taken and evidenced. (See paragraph 11 and 12 of the Risk Management Strategy). With the council adopting a 'Risk Aware' approach rather than 'Risk Averse' and integrating risk management into the council's culture and day-to-day practice, it is in a better position to identify opportunities that may benefit the council (including financial) where associated risks are managed rather than avoided altogether.
- 3.4 Every project / programme should have a risk assessment / log. Risk, Emergency and Business Resilience (REBR) delivers risk management training (Appendix 4 of the Risk Management Strategy provides details and dates for 2022). This training became mandatory for staff expected to complete a risk assessment and has been approved by Corporate Management Team (CMT) in December 2021. In addition, the Manager (Risk Management) has been working with HR to further embed risk management within the organisation.
- 3.5 A review by Internal Audit of the risk management framework / practices was completed in December 2021 and received a 'substantial assurance' outcome proving that the framework is effective and that risk management arrangements within the council are sound. A sample of risk owners, typically Divisional Directors, were interviewed and were reasonably confident in the identification, scoring and management of risks in their service areas.

Business Continuity Policy and Strategy 2022

- 3.6 BCM is a cross-functional, organisation-wide activity and consequently, the arrangements in this strategy apply to:
 - All services within the council;
 - Every staff member;
 - All resources and business processes;
 - Suppliers, service partners and commissioned services;
 - Other relevant stakeholders.

The BCM programme needs to be managed in a continuous cycle of improvement for it to be effective. Therefore, formal and regular exercise, maintenance, audit and self-assessment of the BCM **culture** are essential. To support the effectiveness of this key staff within each division are encouraged to attend the BCM awareness training sessions delivered by REBR. This is formalised at CMT and remains a key activity within 2022.

The council has established robust business continuity practices which are reviewed and maintained continuously throughout the year by service areas. Progress continues to be made to improve and strengthen business continuity management arrangements, particularly addressing the continuous change the organisation experiences. In many ways, Covid-19 has demonstrated that LCC's business continuity practices are effective and efficient (see paragraph 3.7) where the Corporate Business Continuity Plan, now the Incident Response Plan, which is developed as part of the overall framework for contingency planning, was invoked. The Incident Response Plan forms part of the overall framework for contingency planning which is reviewed annually and influences the implementation of business continuity practices within the organisation. The BCM framework adopted by LCC contributes towards identifying LCC's critical activities and ensures business continuity plans (BCPs) exist for those services. An annual self-certification process is standard practice whereby directors confirm their plans have been reviewed annually as a minimum and tested. However, plans should be updated to reflect changes in service areas as and when they occur. All critical activity BCPs are robustly reviewed every 2 years by REBR

The implementation of this revised Business Continuity Policy and Strategy will support the delivery of an effective BCM programme including the above-mentioned points.

3.7 How Covid-19 proved LCC'S BCM System was implemented:

- The Corporate BC Plan (now the Incident Response Plan) was invoked;
- An incident response team was set up which met weekly;
- Service level BCPs were invoked as required;
- LCC's Incident Response Team ensured critical services were up and running along with supporting infrastructure;
- Prior to the lockdown in March 2020, a Covid-19 Coordination Center was set up in the control room to provide guidance and information to staff and LCC schools:
- REBR facilitated recovery planning sessions with each division considering BC elements which helped plan their Covid-19 response.

LCC and the Local Resilience Forum (LRF)

3.8 REBR work with partners / stakeholders to discuss and share best practice and to promote business continuity. LCC's major incident plan, if invoked, is aligned to link to wider LRF emergency response plans and LCC work to ensure we have consistency of approach and work collaboratively to achieve the desired outcome. The Manager for Risk Management is recommencing and chairing a 'Multi-Agency Business Continuity Group' inviting BCP Officers from partner organisations to share good practice, how they dealt with responding to a BC related issue and what they have learnt from this. The participants include, for example, blue light services, district authorities, utilities.

4. Key deliverables

The **key deliverables** in both Policies and Strategies include:

4.1. Risk:

- Ensuring the Risk Management framework at the council continues to reflect the organisational structure, and risks affecting the delivery of the council's priorities and objectives are properly identified, assessed, managed, monitored and reported;
- Continuance of the process whereby Divisional Directors (and now their Heads of Service) have individual risk registers feeding through to the council's Operational Risk Register, which is reviewed by CMT, led by the Chief Operating Officer, supported by the Director of Delivery, Communications and Political Governance and the Manager, Risk Management;
- Continue to integrate risk management into the council's culture and its everyday business operations. Risk management should be a significant part of managers overall duties. Improving divisional engagement with risk management processes to further embed a culture within the council where risk is anticipated and managed proactively and is part of the daily process. It is not a quarterly 'form filling' exercise but should be seen to 'add value'. A risk assessment should be completed and / or updated for each project or contract being let and for all of our significant procedures, as a minimum;
- Increasing recognition of the benefits that can be achieved, operationally and strategically, with effective and embedded risk management;
- Continuing to support the operational service areas in the development and improvement of their individual risk registers by identifying training needs, providing support and guidance and delivering training;
- A training programme has been established for 2022 (Appendix 4 of the risk management strategy). Demand has required two additional sessions being added which have also been fully booked and the next available session is now November. Directors and managers should ensure they identify staff requiring risk management training not only through the appraisal process but also by job specification process. As highlighted above, this is a key deliverable for directors and their teams to better protect the council. It is the business areas that 'own' and should manage their risks;
- Risk is considered, identified and assessed in the procurement of goods / services with contractors and partners and;
- Emphasising that the Risk Service is perceived across the council as 'risk advisers', who will assist managers in scoping and managing risk exposure to enable the implementation of innovative schemes. This team do not manage the council's risks as this remains service areas' responsibility.

4.2 Business Continuity:

- Continuing development of BCM at the council to better align with current accepted best practice standards (ISO 22301) and requirements of the Civil Contingencies Act (2004);
- Ensure up to date, tested plans exist for all areas. Primary focus remains on critical activities, followed by review of the remainder of the council's activities, those deemed 'non-critical' which will continue to be reviewed and dealt with by divisions:
- Challenging the definition and interpretation of critical by managing the number of services deemed to be critical. This is being achieved through a business impact analysis process which focuses in on the specific and critical tasks and resources and the required timescales for restoration in any incident. This will enable us to have an even more clearly defined view of what is critical and the priority order for restoration of services and supporting infrastructure such as specific systems to guide areas like ICT in recovery during an incident. LCC currently have 40 Business Critical Services and it is anticipated through the business impact analysis process that this will be reduced and focused more to ensure that resources can be correctly prioritised in the event of an incident. This work is now reaching a conclusion and the Corporate Management Team will be asked to review the outcome in order to determine the priority of critical services for LCC.
- The former Corporate Business Continuity Plan has been combined with the Major Incident Plan, now the LCC's Incident Response Plan and work will continue to embed this plan. A virtual desktop exercise was conducted in December 2021 with senior managers to test and exercise the plan;
- Continued delivery of a specific business continuity training programme for senior managers, management and their staff, virtually during Covid-19;
- Review, maintain, update the corporate BCP template annually and promote council-wide use;
- Promoting BC Planning to schools and assisting with developing and testing of their BCPs and
- Targeted chargeable work with some academies.

Poorly managed incidents could leave the council and its officers exposed to insurance claims. Embedding risk management and business continuity is beneficial to the council to ensure proactive measures are taken in these areas to help maintain the organisation's reputation meeting stakeholder needs, ensure incidents are managed with minimal disruption and claims are kept to a minimum. This opens new doors to insurance premium discounts and reduced excesses as insurers look favourably at organisations that manage their risks. Business Continuity planning also protects the council, ensuring that it can help others in an emergency (facilitated by the BCP).

5. Financial, legal, equalities, climate emergency and other implications

5.1 Financial implications

'The revised Risk Management Policy Statement and Strategy is intended to promote an effective approach to risk across the council. It should minimise the costs of insurance premia, successful claims and responding to incidents. Rigorous BCP arrangements are essential to ensure the council can be confident of recovering effectively from a major incident and with as little additional or abortive expense as possible'.

Colin Sharpe, Deputy Director of Finance, Ext. 37 4081

5.2 Legal implications

Rigorous Risk Management and BCM arrangements are essential to ensure the council can be confident of ensuring it has proper cover for its legal liabilities'.

Kamal Adatia, City Barrister, 37 1401

5.3 Equalities implications

'Effective risk management is essential for organisations and their partners to achieve strategic objectives and improve outcomes for local people and therefore is likely to be beneficial to people from across all protected characteristics.

As an organisation, with a range of different stakeholders, each with differing needs and expectations, this can be a challenge. In some circumstances, effective risk management will be particularly relevant to those with a particular protected characteristic (for example, safeguarding risks and risks which could result in service disruption). Therefore, a robust risk strategy and policy statement which is embedded effectively will minimise the likelihood of ineffective risk management resulting in a disproportionate impact on those with particular protected characteristic/s.

The strategy identifies other potential risks which are relevant to equalities, such as legislative requirements (ensuring that the council meets its statutory duties) The strategy promotes that the management of such risks should be embedded into the day to day business and culture of the council. This would support the continued delivery of positive equalities outcomes for the citizens of Leicester.'

Surinder Singh, Equalities Officer, Ext. 37 4148

5.4 Climate Emergency implications

'There are no significant climate change implications associated with this report' **Aidan Davis, Sustainability Officer, Ext 37 2284**

5.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

OTHER IMPLICATIONS	YES/NO	Paragraph/References Within Supporting information
Risk Management	Yes	All of the paper.
Legal	Yes	
Climate Change	No	
Equal Opportunities	Yes	
Policy	Yes	All of the paper.
Sustainable and Environmental	No	
Crime and Disorder	No	
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	

6. Summary of appendices:

Appendix 1 – Risk Management Policy Statement and Strategy

Appendix 2 - Business Continuity Management Policy Statement and Strategy

7. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?

No

8. Is this a "key decision"? If so, why?

No



Risk Management

Policy Statement and Strategy 2022

29/11/2021 Leicester City Council Sonal Devani on behalf of Miranda Cannon

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Enterprise Risk Management

Policy Statement and Strategy 2022

Risk Management Policy Statement

Leicester City Council's (LCC) approach to the management of enterprise risk

Risk management involves identifying, assessing, managing, monitoring, reporting, and communicating the council's threats and opportunities. By doing so effectively, the Council is in a stronger position to deliver its objectives. Risk is a feature of all business activity and is an attribute of the more creative of its strategic developments. The Council wishes to acknowledge that risk can never be eliminated in its entirety and accepts the need to take proportionate risk to achieve its strategic objectives, but these risks should be identified and managed appropriately. However, residual risks may still be high after further controls are identified and implemented. Such risks may relate to activities/projects where the organisation has statutory responsibilities to deliver those services, and in such instances, it is important that risks are being managed effectively and efficiently and the impact is minimised as far as is reasonably practicable should the threat/event occur. By evaluating our plan for potential problems and developing strategies to address them, we are able to improve our chances of a successful, if not perfect delivery of the project/initiative assessed. The Council recognises that managing risk can also identify positive opportunities which, with the appropriate level of control, may lead to service improvements. The measures which the Council adopts are principles of good management practice which seek to control and balance risk and opportunity. The risk strategy implemented at the council supports this policy and ensures that high priority risks are cost effectively managed and provide decision makers at all levels with the information required to make informed decisions.

The key objectives of Risk Management at LCC are to:

- 1. Identify, manage and act on opportunities and threats to enable the council to achieve its objectives and integrate risk management into the culture and day to day working of the council.
- 2. Prevent death, injury, damage and losses, and reduce the cost of incidents and accidents.
- 3. Ensure compliance with governance requirements with risk management (identification of, and plans to manage, risk) forming an integral part of the Council's governance including decisions taken by the Executive and the Corporate Management Team (CMT).
- 4. Make the Executive, CMT and Audit and Risk Committee aware of the potential key strategic and operational risks.
- Ensure the organisation's risk profile and exposure is communicated top down, bottom up and across the organisation and coordinate action plans designed to change or reduce the risk profile.
- 6. Embed, actively support and promote risk management. Raise awareness of the need for risk management to those involved in developing the council's policies and delivering services and ensure it is understood that risk management is a cross service planning activity.
- Ensure that a systemic and consistent approach to risk management is adopted throughout the organisation and as part of divisional planning, performance management and models of operation.
- 8. Supporting a culture of well-measured risk taking throughout the council's business and informing operational decisions by identifying risks and their likely impact.
- 9. Ensure risks are considered, actioned and responsibility is assigned in the commissioning, procurement and contract management of goods/services.

10. Manage risk in accordance with best practice and comply with statutory and regulatory requirements, for example Fraud Act, Anti Bribery and Care Acts.

The above objectives will be achieved by:-

- Ensuring CMT, Directors and other relevant stakeholders obtain assurance that the council and its services are managing and mitigating risks that could affect the achievement of the organisation's objectives.
- Establishing appropriate risk reporting mechanisms and risk communications. Ensure a process
 is in place to allow for the submission of Strategic and Operational Risk Registers to CMT, City
 Mayor and Executive, Audit and Risk Committee and relevant stakeholders.
- Ensuring the operations and initiatives that are high risk to the council are reported and monitored through the appropriate channels and via the relevant director to aid informed decision making.
- Providing learning opportunities to council officers on the risk management process across the council by scheduling a rolling training programme year on year with the option of bespoke training.
- 5. Keeping abreast of best practice throughout the industry and through the continual review and improvement of the council's risk management practices.
- Good practice tools to support management of risks applied consistently throughout the council and reinforcing the importance of effective risk management as part of the everyday work of employees and members.
- Ensuring accountabilities, roles and responsibilities for managing risk are clearly defined, communicated and understood by establishing clear processes, responsibilities and reporting lines for risk.
- 8. Anticipating and responding to changes in the external environment including changing political, economic, social, technological, environmental and legislative requirements.
- 9. Demonstrating the benefits of effective risk management through: -
 - Cohesive leadership and effective management controls:
 - Improved resource management people, time, and assets;
 - Improved efficiency and effectiveness in service and project delivery;
 - Minimising the impact following an incident, damage limitation and cost containment;
 - Better protection of employees, residents and others from harm;
 - Reduction in incidents, accidents and losses leading to lower insurance premiums and improved reputation for the council.
- 10. Recognise that it is not possible, nor desirable, to eliminate risk entirely, and so have a comprehensive business continuity and insurance programme that protects the council from significant financial loss, reputational damage or even litigation therefore minimising the impact from an event.

Alison Greenhill Chief Operating Officer

Sir Peter Soulsby City Mayor

November 2021

Risk Management Strategy

INTRODUCTION

- The Risk Management Strategy provides a structured and coherent approach to identifying, assessing and managing risk. It builds in a process for regularly updating and reviewing risk assessments based on new developments or actions taken and allows communication and reporting of risks that may adversely impact the achievement of the council's aims and objectives.
- 2. This strategy builds on, and replaces, the 2021 Risk Management Strategy. Through the continued development and implementation of the strategy, the maturity of the council's risk management will be reflected in a more enabled and proactive culture of embracing innovative opportunities and managing risks. This strategy helps to embed a coherent risk management system throughout the organisation and ensures officers / staff understand their roles and responsibilities within the process and if followed by staff enables a more consistent risk management approach.

AIMS AND OBJECTIVES

- 3. The aims and objectives of Leicester City Council's (LCC's) Risk Management Strategy are:-
 - To assist LCC in setting strategy, achieving objectives and making informed decisions;
 - To provide the Executive, Members and senior officers with regular risk management reports that give a comprehensive picture of the council's risk profile and risk ranking exposure;
 - To provide and assist the council and its partners to adopt a "fit for purpose" methodology towards identification, evaluation, control and communication of risks and to help ensure those risks are reduced to an acceptable level – the 'risk appetite';
 - To ensure that transparent and robust systems are in place to track and report upon existing and emerging risks which potentially could have a detrimental impact on the council or influence decision making and affect the achievement of objectives;
 - To help further integrate risk management into the culture and day to day working of the council and ensure a cross divisional/operational approach is applied;
 - To provide reliable information on which to base the annual strategic and operational risk and governance assurance statements;
 - To consider the limitations of available information in the process of identifying and assessing risk;
 - To encourage well measured risk taking where it leads to improving performance and sustainable improvements in service delivery;
 - To ensure a consistent approach in the identification, assessment and management of risk ('the risk management cycle) throughout the organisation; and
 - To acknowledge that even with good risk management and our best endeavours, things
 can go wrong and that we learn from this to prevent it happening again. Risk Management
 is continually improved though learning and experience.

4. Given the diversity of services offered by the Council, there are a wide range of potential risks that could arise, it is therefore essential that responsibility for identifying and taking action to address those risks is clear. Commitment and involvement of staff at every level is essential to effectively carry out enterprise risk management. Although different staff/managers will have specific duties to assist in this process, it is important that they are aware of and understand their role. Staff involvement may consider views and comments from other divisional areas/teams who may have had experience of managing similar projects.

ASSURANCE AND REPORTING STRUCTURE OF RISKS AT LEICESTER CITY COUNCIL

- 5. As part of the risk management and assurance process, we would like to create an environment of a 'no surprises' system and the 'tone from the top' is an essential criterion in fulfilling this. To ensure this happens effectively, LCC's risk and assurance systems need to be working well. LCC is open to consider all potential delivery options with well measured risk-taking, being aware of the impact of its key decisions.
- 6. All staff and associated stakeholders have responsibility for managing risk, some more than others. Please see **Appendix 1** for full roles and responsibilities.



Within this structure, each party has the following key roles:

- The Audit and Risk Committee (A&RC) is responsible for noting the effectiveness of the council's risk management arrangements, challenging risk information and escalating issues to the Board/Executive/Manager Risk Management (to escalate).
- City Mayor and Executive has a leadership and oversight role particularly in challenging CMT and senior managers in relation to the risks identified, mitigating actions and holding them to account to implement effective risk management. The City Mayor and Executive are also responsible for approving risk policies and strategy and receiving regular risk management reports to review;
- The Corporate Management Team (CMT) has the risk oversight role and ultimate accountability. CMT must ensure the risk related control environment is effective; is

responsible for approving and reviewing risk policies and strategies; setting the level of risk the council is prepared to accept – it's 'risk appetite'; receiving 4-monthly risk update reports to review and for approving as well as agreeing and promoting the training programme;

- Risk, Emergency and Business Resilience (REBR) develops and coordinates implementation of the Risk Management Strategy and provides a facilitators role, supporting and guiding service areas on how to complete operational risk assessments, whom they should refer to and deliver corporate risk management and business continuity training. REBR also coordinate, populate and maintain the council's risk registers, producing 4-monthly risk reports comprising of these risk registers to submit to CMT, City Mayor and Executive (SRR only) and the A&RC (bi-annually);
- Departments and services are the 'risk-takers' and are responsible for identifying, assessing, measuring, identifying risk actionee, monitoring, communicating risk as well as reporting on significant risks associated with their functions or activities and for managing risks within their departments;
- As part of the council's combined model, management, third parties and Internal Audit give assurance on the management of risks and the operation/performance of controls.

See Appendix 1 for further Roles and Responsibilities.

RISK DEFINITION AND APPETITE

- 7. At LCC we use the definition of risk taken from the International Risk Management Standard "ISO31000 – Risk Management Principles and Guidelines standard and BS65000 – Guidance on Organisational Resilience":
 - "Risk is the effect of uncertainty on objectives" and an effect is a positive or negative deviation from what is expected. ISO 31000 recognizes that all of us operate in an uncertain world.
- 8. By identifying potential problems with an in-depth risk assessment, the council can implement controls and treatments that maximise the chance of gain while minimising the chance of loss. It is assumed by many staff, during risk discussions, that all risks must be eliminated. However, this is not the case. Risk is a part of everyday life and taking risks and acting on opportunities may be a route to success, if managed properly where the risk appetite is crucial to this process. Risk Appetite is defined as 'amount and type of risk that the organisation is willing to pursue, retain or take (ISO73 - ISO2002)). Appendix 2 demonstrates the council's risk appetite. The council is prepared to tolerate risks that fall below the risk appetite line (the prominent black line). For risks that are scored above the line, the relevant council officers should consider their occurrence (repetitiveness), impact and design controls for implementation if that risk materialises. This should be monitored periodically. An example of this would be total loss of a building by fire. This is a typical 'high impact' but 'low likelihood' risk that cannot realistically be managed day to day, beyond normal management responsibilities, but if it occurs, would be dealt with by the invocation of an effective Incident Response Plan and appropriate insurance cover which are both significant mitigants for that risk.
- 9. Risk appetite needs to be considered at all levels of the organisation from strategic decision makers to operational deliverers. The council's risk appetite is the amount of risk that it is prepared to take in order to achieve its objectives. Defining the council's risk appetite provides the strategic guidance necessary for decision-making and is determined by individual circumstances. In general terms, the council's approach to providing services is to be innovative and to seek continuous improvement within a framework of robust corporate governance. This framework includes a risk management process that identifies and assesses risks appertaining to decisions being considered or proposed.

- 10. As such, risk appetite should be considered for every proposal and risk rather than an over-arching concept for the entire council. There will be areas where a higher level of risk will be taken in supporting innovation in service delivery. Certain areas will maintain a lower than cautious appetite for example, in matters of compliance with law and public confidence in the council or safeguarding adults and children. Risk appetite can therefore be varied for specific risks, provided this is approved by appropriate officers and/or members. However, in all circumstances:
 - The council should manage its financial affairs such that no action will be taken which would jeopardise its ability to continue as a going concern; and
 - The council is to secure the legal integrity of its actions always.

Despite this, at times the council may be forced to take risks beyond its appetite to comply with central government directives or to satisfy public expectations of improved services. The challenge process will determine the decisions made - whether to proceed with such proposals and after careful assessment of the identified risks and an analysis of the risks compared to the benefits — i.e. cost benefit analysis. A cost benefit analysis also helps decide the commitment to risk management resources and it is important to keep in mind that not all costs benefit is confined to financial measurement and the cost of not taking action should also be considered, for example, the reputational damage from not progressing on an initiative/project/service delivery proposal.

- 11. LCC's approach is to be **risk aware** rather than **risk averse**, to manage and mitigate the identified risk. As set out in its Risk Management Policy Statement, it is acknowledged that risk is a feature of all business activity and is a particular attribute of the more creative of its strategic developments. Directors and members are not opposed to risk. They are committed to taking risk with full awareness of the potential implications of those risks identified and in the knowledge that a robust plan is to be implemented to manage/mitigate them. The council's risk management process allows this **'positive risk taking'** to be evidenced.
- 12. 'Positive risk taking' is a process of weighing up the potential benefits and impacts of exercising a choice of action over another course of action. This entails identifying the potential risks and developing plans and controls that reflect the positive potentials and stated priorities of the council. It then involves using available resources, capabilities and support to achieve desired outcomes, and to minimise any potential 'harmful' impacts. It is certainly not negligent ignorance of potential risks but, usually, a carefully thought out strategy for managing a specific risk or set of circumstances.
- 13. The risk management process ensures that key strategic and operational risks are well controlled, minimising the likelihood of an occurrence and its impact should the risk occur and allowing for risk communications to take place. It is recognised that there are costs involved in being too risk averse and avoiding risk, both in terms of bureaucracy and opportunity costs.
- 14. The council seeks to identify, assess and respond to all strategic risks that may affect the achievement of key business objectives and plan outcomes. Once a risk has been identified and rated, the council will adopt a risk response based on the nature of the risk. The council's risk responses include treat, tolerate, terminate or transfer refer to paragraph 27 for the detail. Integrating risk transfer strategies requires decisions at the highest levels as the risk appetite will determine the extent to which it is prepared to retain the risk, as opposed to sharing risk by outsourcing or insurance. ISO31000 states the selection of risk treatment options involves the balancing the potential benefits of introducing further risk treatment (controls) against the associated costs, effort or disadvantages. The treatment plan should identify the timescale and responsibilities for implementing the selected risk treatments.
- 15. However, having an effective enterprise risk management framework does not mean that mistakes and losses will not occur. Effective risk management means that risks are highlighted, allowing appropriate action to be taken to minimise the risk of potential loss. The principle is simple, but this relies upon several individuals acting in unity, applying the same methodology to reach a sound conclusion and understand that risk management is a cross service planning activity. However, it is recognised that risk management and the analysis is based on judgement and is not infallible or an exact science, and for a more accurate analysis,

the appropriate people should be involved who should consider and understand ALL the available information at the time relevant to that activity but be aware there may be limitations on that information. Incidents will still happen, but the council will be in a better position to recover from these incidents with effective risk controls/business continuity management processes in place. LCC is a "learning organisation" and the council will seek to learn from adverse risk events. An insurance programme is also in place to cover insurable risks. See below for further information (paragraph 16 and 17).

RISK FINANCING

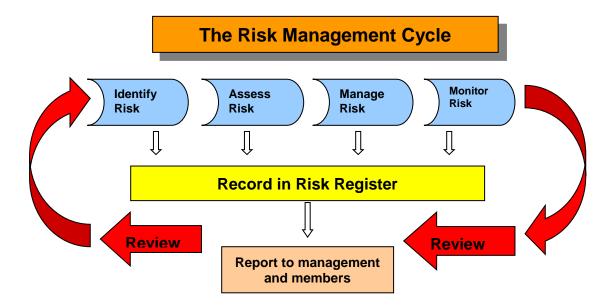
- 16. Risk Financing is the process which determines the optimal balance between retaining and transferring risk within an organisation. It also addresses the financial management of retained risk and may best be defined as money consumed in losses, funded either from internal resources or from the purchase of 'external' insurance (such as the catastrophe cover provided by the council's external insurers). Simply put, it is how an organisation will pay for loss events in the most effective and least costly way possible. Risk financing involves the identification of risks, determining how to finance the risk, and monitoring the effectiveness of the financing technique chosen. Commercial insurance policies and self-insurance are options for risk transfer schemes though the effectiveness of each depends on the size of the organisation, the organisation's financial situation, the risks that the organisation faces, and the organisation's overall objectives. Risk financing seeks to choose the option that is the least costly, but that also ensures that the organisation has the financial resources available to continue its objectives after a loss event occurs. The council currently takes cover with external insurers for the following categories of insurable risk:
 - Casualty (Employers Liability and Public Liability)
 - Property
 - Motor
 - Fidelity Guarantee
 - Engineering
 - Professional Negligence
 - Official Indemnity
 - Personal Accident
- 17. LCC's strategy for risk financing is to maintain an insurance fund and only externally insure for catastrophe cover. The council's strategy is to review the balance between external/internal cover on an annual basis in the light of market conditions and claims experience. This balance will be influenced by the effectiveness of the risk management process embedded at the council and this process is managed by REBR on behalf of the Director of Delivery, Communications and Political Governance.

RISK MANAGEMENT PROCESS

- 18. The council's strategic objectives and individual divisional operational objectives are the starting point for the management of risk. Managers should not think about risk in isolation but consider events that might affect the council's achievement of its objectives. Strategic risks are linked to strategic objectives and operational risks linked to divisional service delivery objectives, therefore, risks that could result from day to day activities need, as a minimum, to be identified and monitored. This is best done by the effective implementation of the risk management process with the use of risk assessments/risk registers (**Appendix 3**) which must be maintained and updated on a continuous basis and reviewed formally, every 4 months as per the reporting cycle at divisional and strategic level. However, at management level and below this will be more frequent. **An action plan should be in place to address the issues raised in the risk register/assessment. Action plans are compulsory for red risks.**
- 19. Risk management is to be driven top down, bottom up and across, to ensure risks are appropriately considered. To achieve this, managers should encourage participation with their

staff/peers in the process, through regular discussions/reviews. The risk management process seeks to work with and support the business and not add a layer of bureaucracy or create masses of paperwork.

- 20. The process below should be implemented by managers and staff at all levels to identify, assess, control, monitor and report risks. Risk management is intended to help managers and staff achieve their aims and objectives safely. It is not the intention to hinder or restrict them in delivering the objective in question and the aim is not to become risk averse. The process ensures that a consistent risk management methodology is in place and implemented across all the diverse activities of the council.
- 21. There are five key steps in the risk management process. These stages are covered in greater detail in the Risk Management Toolkit a step-by-step guide to risk management at LCC which is available to all members, managers and staff via the REBR pages on SharePoint.



- 22. The risk management process is explained in detail in the 'Identifying and Assessing Operational Risk' training course, which is now mandatory for staff completing a risk assessment (see Appendix 4 for the 2022 training schedule) and allows staff to: -
 - Identify risk management identify risks through brainstorming discussions as a group, or discussion with their staff, interviews, seek employee feedback, analyse customer complaints, internal/external audit reports, checklists, flowcharts, risk registers, risk assessment workshop write ups, scenario analysis and SWOT/PESTLE analysis. REBR are available to support this process either by attending or facilitating risk 'workshops' or delivering risk identification and mitigation training to managers and their business teams in advance of their own sessions;
 - Assess/Analyse/Evaluate management assess the likelihood of risks occurring and
 the impact on the council/their service objectives using the council's approved risk
 assessment form and the 5x5 scoring methodology. Once the risks are scored, this will
 determine whether the risks are high, medium or low which will help in the prioritisation
 of risks for urgent attention (see Appendix 2);
 - Manage management determine the best way to manage their risks e.g. terminate, treat, transfer, tolerate or take the opportunity (see paragraph 27 below);
 - Record risks using corporate risk assessment template to record risks (see Appendix 3);

- Monitor management should monitor their risks and the effectiveness of their identified management controls; are controls implemented and need for further controls;
- Review management ensure identified risks are regularly reviewed and if controls have been implemented, whether further controls are necessary or required. This will normally be managed by means of a risk register (see paragraphs 31 - 41 below for more detail).
- Risk Reporting, communication and consultation: Communication and consultation
 with external and internal stakeholders should take place during all stages of the risk
 management process using the risk register/assessment as a reporting tool.

IDENTIFYING THE RISKS

- At LCC in order to identify risks, we need to focus on the aims and objectives of the organisation and of any project and activity. Every activity the council engages in contributes to achieving an objective and so risks that may affect the successful completion of that activity must be taken seriously. Risk is simply defined as 'the effect of uncertainty on objectives' - ISO31000 Risk Management Standard. As mentioned in paragraph 22, the training session covers in detail how to identify risks. Please refer to Appendix 3 for the risk assessment template to log risks and its evaluation. Appendix 5 indicates the different categories of risk which staff use as a prompt to identify risks that are internal/external facing. However, it is not an exhaustive list and officers are reminded that risks may not be present in all categories when they are completing their risk assessment. Other means of identifying risks include previously completed risk assessments, brainstorming exercises involving the relevant stakeholders, complaints received, claims, incident and accident reports. This is discussed in more detail in the training sessions. Also, staff may need to consider carrying out a dynamic risk assessment as and when required, for e.g. in the case of inclement weather, the original risk assessment may not have considered how to operate on a wet day as it was not anticipated.
- 24. The Manager, Risk Management will continue to work collaboratively with ALARM, the professional body for Risk Management, as part of the Regional Committee for the Midlands Region and an Editor for their risk Journal, along with other councils and partners to undertake horizon scanning to identify new and emerging risks that affect the council. This may help to identify new collective trends and emerging risks.

ASSESS / ANALYSE AND EVALUATE RISKS

- 25. The primary function of "scoring" risks is to facilitate their prioritisation and assessment against risk appetite. This step involves determining the likelihood of the risk occurring and its impact should it occur. Please see **Appendix 2** for further detail of the scoring mechanism and the definitions utilised at this council to calculate the level of the risk: **Impact x Likelihood = Risk score.**
- 26. This helps to prioritise the risks (risk ranking) which require urgent action using a red, amber, green scoring mechanism (RAG status). The table below indicates how risks that are high, medium and low should be managed.

LEVEL OF RISK	OVERALL RATING	HOW THE RISK SHOULD BE TACKLED/ MANAGED	
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION	
Medium Risk	9-12	Plan for CHANGE	
Low Risk	1-8	Continue to MANAGE	

MANAGE THE RISKS

- 27. Once risks have been identified and assessed by management (a risk rating score has been derived), managers should then determine how those risks will be dealt with a process commonly known as the four T's. The risk rating score will also enable risks to be prioritised and influence the use of one or more of the four T's
 - Terminate
 - Treat
 - Tolerate
 - Transfer

Please see below charts for possible actions after assessing and analysis of risks:

4 T's

Impact	High	Transfer Transfer risk to another party, outsource, insurance	Terminate Stop the activity or do it differently using alternative systems
	Low	Tolerate Bear losses out of normal operating costs following an informed decision to retain risk, monitor situation	Treat Implement procedures and controls to reduce the frequency or the severity; formulate a contingency plan to reduce service interruption
		Low	High Likelihood

Likelihood	Impact	4 T's	Actions to take	
High	High	Terminate	Requires immediate action/avoid or consider alternative ways	
High	High Low Treat		Consider steps to take to manage risks – reduce the likelihood and/or better manage the consequence	
Low	High	Transfer	Contingency plan/Insurance cover to bear financial losses/transfer risk to third party/outsource	
Low	Low Tolera		Informed decision to retain risk. Keep under review. Monitor and bear losses from normal operating costs as the cost of instituting a risk reduction or mitigation activity is not cost effective or the impact of the risks are so low so deemed acceptable	

- 28. Taking the opportunity is an enhancement to this process. This option is not an alternative to the above; rather it is an option which should be considered whenever tolerating, transferring or treating a risk. **There are two considerations here:**
 - Consider whether at the same time as mitigating a threat, an opportunity arises to exploit
 positive impact. For example, if a large sum of capital funding is to be put at risk in a major
 project, are the relevant controls good enough to justify increasing the sum at stake to
 gain even greater advantage?
 - Consider also, whether circumstances arise which, whilst not generating threats, offer
 positive opportunities. For example, a drop in the cost of goods or services frees up
 resource which may be able to be redeployed for projects that enhance the economy of
 Leicester.
- 29. Secondary Risk It's important to note that it's common for efforts to reduce risk to have risks of their own. These are known as secondary risks. For example, if a project is outsourced/subcontracted a number of secondary risks will be assumed such as the risk that the outsourcing company/subcontractor will fail to deliver.

RISK TREATMENT AND DECSION MAKING

30. Risk controls and treatment options should be identified by those who are directly involved in the management of the activity or by experts who have detailed knowledge of the underlying risks and who have actively engaged in the risk identification and evaluation process. Risk control options should be evaluated as the wrong choice can be difficult to unwind.

MONITORING AND REVIEWING THE RISKS

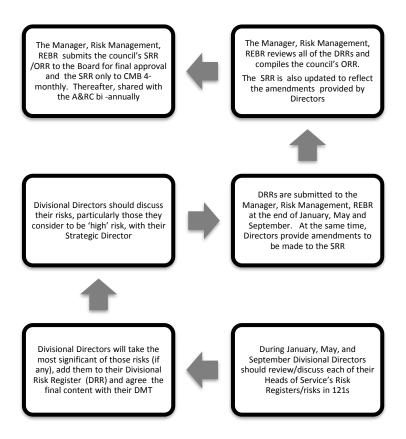
- 31. After evaluating the measures already in existence to mitigate and control risk, there may still be some remaining exposure to risk (residual risk). It is important to stress that such exposure is not necessarily detrimental to the council and ensures that the council is aware of its key business risks; what controls are in place to manage (mitigate) these risks; and, what the potential impact of any residual risk exposure is. This step in the risk process never really ends as monitoring and review of your risk assessment to ensure it stays valid is an ongoing process. The ultimate aim of risk management/assessment is to implement measures to reduce the risks to an acceptable level. Monitoring and review of circumstances must occur to see whether the measures implemented have reduced risks effectively and whether more should be done. To summarise, are the controls being implemented, are they effective and is the business requirement being met, has the risk changed, do further controls need to be considered, therefore, re-scoring of the risk, and do new risks need to be incorporated or any existing ones deleted.
- 32. It is important that those risks that have been identified as requiring action are subject to periodic review, to assess whether the risk of an event or occurrence still remains acceptable and if further controls are needed. Any further action(s) should be determined, noted and implemented. The frequency of reviews should be decided by management, depending on the type and value of the risks identified (see also 32 below). Currently, at LCC, the significant strategic and operational risks are reviewed and reported on a 4 monthly basis to CMT and bi-annually to the A&RC, with strategic risks reported 4 monthly to the City Mayor and Executive, facilitated by the Manager, Risk Management. Below, is a table indicating a suggested review of risks dependent on the risk rating whether, high, medium or low.

Recommended risk review frequencies as per risk rating:

Standard Review	
Red risks	1 – 3 months
Amber risks	3 months
Green risks	6 months

RISK REPORTING

- 33. Significant operational risks (scoring 15 and above) should continue to be logged and monitored via the Operational Risk Register (ORR). It is the responsibility of each divisional director to ensure that operational risks are recorded and monitored via a risk register. These registers and the risks identified are aligned to the council's operating structure. REBR has produced a pro-forma risk assessment/register that **must** be used by all business areas (see **Appendix 3**).
- 34. The most significant risks identified by the divisional directors feed into the council's ORR which is managed by CMT and facilitated by the Manager, Risk Management, REBR. They are accountable for ensuring that all operational risks are identified against service delivery objectives; that plans are implemented to control these exposures; key risks are included within the individual service plan and that monitoring and communication of risks takes place.
- 35. The Chief Operating Officer supported by CMT manages and monitors the Strategic Risk Register (SRR) for those risks that may affect achievement of the council's strategic objectives, with REBR facilitating. The most significant of these risks, those that may threaten the council's overall strategic aims, form this register which is reviewed and updated by directors every four months. Responsibility for these risks rests with named directors. As part of the overall process of escalation, each strategic director should also have risk on their 121 agenda with their divisional directors at least quarterly and with lead Executive members. One of the significant strategic risks is a serious failing of the management of operational risks by divisional directors.
- 36. REBR facilitates and supports this process and will continue to maintain the SRR/ORR, using the input from each Divisional Risk Register and the updates provided by each director for the SRR. The SRR/ORR will be reported 4-monthly to CMT, and bi-annually to the A&RC. In addition, the SRR (Strategic Risk Register) is also reported to the City Mayor / Executive 4-monthly. As part of this process, bespoke training needs may be identified and the REBR team will provide training and support upon request.
- 37. The process for reviewing and reporting operational and strategic risks at LCC is set out as below:



Key:

- DRR Divisional Risk Registers compiled using most significant operational risks from Heads of Service risk registers.
- ORR Operational Risk Registers produced by REBR using the significant risks from the DRRs submitted by Divisional Directors
- SRR Strategic Risk Registers compiled by REBR using significant risks submitted by Directors and are those risks that may affect achievement of the council's strategic aims.
- 38. All risks identified, both operational and strategic, will need to be tracked and monitored by regular reviews of the risk registers at 121's with management. This will ensure that any changes in risks requiring action are identified; there is an effective audit trail; and the necessary information for ongoing monitoring and reporting exists.
- 39. Those officers completing risk assessments / registers should use this document as a reporting tool to their line manager in order to aid decision making. The frequency of this reporting should be as and when changes are made to the risk assessment / register particularly where they are significant. However, this is not to become a bureaucratic process and to put it into perspective, the DRR's are revised for 4-monthly reporting to CMT and Executive.
- 40. **Document Retention -** It is recommended to save a new copy of the updated risk register rather than overwriting the existing one so that an audit trail of reviews can be evidenced.
- 41. To improve the process of risk management, it is worth Divisional Directors noting any emerging risks on the Divisional Register on a separate worksheet. These emerging risks may not be a risk currently but may be so in the future. This is good risk management practice.

PARTNERSHIP RISK

- 42. It is recognised that partnership working is a key area where associated risk needs to be identified and controlled. Best practice states that local authorities must meet two key responsibilities for each partnership they have. They must: -
 - Provide assurance that the risks associated with working in partnership with another organisation have been identified and prioritised and are appropriately managed (partnership risks);
 - Ensure that the individual partnership members have effective risk management procedures in place (individual partner risks).

RISK MANAGEMENT TRAINING

43. An annual programme of training (covering risk and business continuity planning) is available to all staff, managers and members. However, directors and managers should identify staff who require this training through the staff appraisal process (existing staff) and through the jobs specification process (new staff) and appropriate training will be provided by REBR. CMT have made the 'Identifying and Assessing Operational Risk' training mandatory for staff who have to carry out a risk assessment. (See **Appendix 4** for the 2022 training schedule).

INSURANCE LIMITS AND PROCURING OF SERVICES / GOODS (RISK TRANSFER)

44. Guidance is available on SharePoint on what to consider when determining insurance levels if procuring for services by a contractor or third party. The insurance limits requested are based on the risks the activity will impose and the impacts (risk based rather than blanket limits). The consequences, impact and cost of risk columns of the risk assessment template will help to determine the insurance levels required. The insurances requested are usually Public Liability, Employers Liability and Professional Indemnity (though the latter is not always a pre-requisite).

REVIEW OF RISK MANAGEMENT POLICY AND STRATEGY

- 45. This Risk Management Policy Statement and Strategy is intended to assist in the development/integration of risk management from now until December 2022 when the next review is due of this policy and strategy.
- 46. All such documents and processes will remain subject to periodic review and with the next planned review to occur in Quarter 4 2021, this allows any changes in process to be aligned to the council's financial year end.

RISK MANAGEMENT AT LEICESTER CITY COUNCIL

47. A robust risk management process should be applied to all our activities during the next 12 months and beyond. To achieve this, priority exposures should be identified, addressed, and incorporated into appropriate risk management strategies and risk improvements into organisation's service delivery. A robust risk process will allow identification of emerging risks and horizon scanning. This should be in line with the council's priorities. This helps to determine how risks affect such priorities, whether to consider changes in council operations and to enable us to make well-informed decisions. Risk must be considered as an integral part of divisional planning, performance management, financial planning and strategic policymaking processes. The cultural perception of risk management must continue changing from

- a 'have-to-do' to a 'need-to-do'. However, this does not need to become a bureaucratic and paper intensive exercise and judgment by the appropriate person should be exercised.
- 48. The Manager, Risk Management, REBR will continue to maintain a central copy of the SRR/ORR as well as the DRR's. Internal Audit will continue to utilise these registers to assist them in developing the audit plan and producing a programme of audits, which will test how well risk is managed within specific areas of the business subject to resource being available. The council's Risk Strategy and Policy will help directors to report appropriately upon their risk and their risk registers, together with other information gathered by Internal Audit through consultations, will be used to formulate the audit work programme which, in turn, allows assurance to be given to both the CMT (officers) and the Audit and Risk Committee (members) that risk is being properly identified and managed at LCC.
- 49. Consideration should be given as to whether the management of risk should be included in job descriptions for all operational service area managers with responsibility and accountability for risks and be included in every director/manager's objectives and performance appraisal discussion.
- 50. Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are aware of their responsibilities for risk management and of the lines of escalation for risk related issues. Operational performance linked to risks helps to achieve objectives more effectively and efficiently.

CONCLUSION

A certain amount of risk is inevitable to achieve objectives, improve performance and take opportunities with measured risk-taking, hence the existence of this Policy and Strategy to help the organisation manage those risks and deliver high quality public services and better value for money. The aim of risk management is to 'embrace risk' and acknowledge opportunities can arise from taking risks and not to miss those opportunities.

Appendix 1 - LEADERSHIP, ROLES AND RESPONSIBILITIES

All Councillors	 To consider and challenge risk management implications as part of their decision-making process.
City Mayor/ Executive	 Approve the council's Risk Management Strategy and Policy Statement annually.
	 Consider risk management implications when making decisions and determine the risk appetite for the council. Agree the council's actions in managing its significant risks. Receive regular reports on risk management activities and a four monthly review of the strategic risk register.
	 Approve an annual statement on the effectiveness of the council's risk controls as part of the statement of accounts.
	 Consider the effectiveness of the implementation of the risk management strategy and policy.
Audit and Risk Committee	 Receive and note the council's Risk Management Strategy and Policy Statement annually. Receive and note the Strategic and Operational Risk Registers update
	reports. • Challenge risk information and escalate issues for consideration
Strategic Directors	 Responsibility for leading and managing the identification of significant strategic risks.
	 Ensure that there is a robust framework in place to identify, monitor and manage the council's strategic risks and opportunities.
	 Ensuring that the measures to mitigate these risks are identified, managed and completed within agreed, timescales, ensuring that they bring about a successful outcome.
	 Lead in the promoting of a risk management culture within the council and with partners and stakeholders.
	 Approve and maintain the requirements for all CMT reports, business cases and major projects to include a risk assessment (where appropriate).
	 Ensure risk is considered as an integral part of service planning; performance management; financial planning; and, the strategic policy- making process.
	 Consider risk management implications when making Strategic decisions. Management and four monthly review of the strategic risk register. Review and progress actions and capture emerging risks.
	Recommend the level of risk appetite for all strategic risks to Executive.
	 Note, through four monthly review, the operational risk register. Ensure that the measures to mitigate these operational risks are identified, managed and completed within agreed timescales, ensuring that they bring about a successful outcome.
	 Ensure that appropriate advice and training is available for all councillors and staff.
	 Ensure that resources needed to deliver effective risk management are in place.
Corporate Management	 Responsibility for leading and managing the identification of significant operational risks from all operational areas.
Team (CMT)	 Ensuring that the measures to mitigate these risks are identified, managed and completed within agreed timescales, ensuring that they bring about a successful outcome.
	 Lead in promoting a risk management culture within the council and within their departments.
	 Approve and endorse the Risk Management Strategy and Policy Approve regular Risk Registers Report and understand status

	To respond appropriately and in a timely manner to exceptions in reports to ensure accountability and risk management processes aren't compromised.
Divisional Directors	Submit Divisional Operational Risk Register (DORR) showing significant Divisional operational risks to Risk Management for consideration of inclusion in the council's Operational Risk Register.
	• Escalating risks/issues to the relevant Strategic Directors, where appropriate.
	 Ensure there is a clear process for risks being managed by their Heads of Service (and where appropriate, their managers and/or supervisors) to be reviewed, at least quarterly, allowing their DORR to be seen as complete.
	• Embeddedness of risk management within the service areas they are responsible for and promoting a risk management culture.
	Ensure compliance with corporate risk management standards.
	 Ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation of risk related issues. Identify and nominate appropriate staff for risk management training.
Manager, Risk	To develop and coordinate the implementation of the Risk Management and
Management	 Business Continuity Policy and Strategy. Provide facilitation, training and support to promote an embedded, proactive risk management culture throughout the council.
	 Assist the Strategic and Divisional directors in identifying, mitigating and controlling the council's risks.
	Coordinate, populate and maintain the strategic and operational risk registers of the council's most significant risks which are submitted to CMT and Audit & Risk Committee four monthly.
	Review risks identified in reports to Strategic Directors and the Executive.
	Ensure that risk management records and procedures are properly maintained, decisions are recorded, and an audit trail exists.
	• Ensure an annual programme of risk management training and awareness is established and maintained to promote good risk management.
	To assess emerging risks and key risks facing the council. Horizon scanning.
	Advise management of key risk issues
	Review External and Internal Audit recommendations to ensure these are picked up and dealt with by the business.
Internal Audit	Have knowledge of Risk Management Policy and Strategy.
	Support the risk management process.
	Focus internal audit work on significant risks – risk-based auditing.
	Provide the Risk team / Divisions / Departments with updates on risks identified from audits where necessary.
All Employees	 To have an understanding of risk and their role in managing risks in their daily activities, including the identification and reporting of risks and opportunities.
	Support and undertake risk management activities as required.
	Attend relevant training courses focussing on risk and risk management.
Stakeholders	Directors and managers should also ensure that all stakeholders (employees, volunteers, contractors and partners) are made aware of their responsibilities for risk management and are aware of the lines of escalation for risk related issues. Risk management is most successful when it is explicitly linked to operational performance

Appendix 2 - RISK APPETITE AND RISK SCORING MATRIX

Key to Table:

The numbers in the boxes indicate the overall **risk score**, simply put:

'Impact score' x (multiplied) by the 'Likelihood score'.

The score is then colour coded to reflect a 'RAG' (red, amber green) status. The solid black line indicates what directors consider is the council's **'risk appetite'** (see paragraphs 4-12 above) where they are comfortable with risks that sit below and to the left of that line.

Risk or Likelihood	Almost certain (5)	Probable /Likely (4)	Possible (3)	Unlikely (2)	Very Unlikely /Rare (1)
Critical/Catastrophic (5)	25	20	15	10	5
Major (4)	20	16	12	8	4
Moderate (3)	15	12	9	6	3
Minor (2)	10	8	6	4	2
Insignificant/negligible (1)	5	4	3	2	1

Level of Risk	Overall Rating	How the Risk should be Managed
High Risk	15-25	IMMEDIATE MANAGEMENT ACTION
Medium Risk	9-12	Plan for CHANGE
Low Risk	1-8	Continue to MANAGE

Likelihood	Impact	Actions to take
High	High	Terminate - needs immediate action
High	Low	Treat - consider steps to take to manage risks
Low	High	Transfer - contingency plan/Insurance cover
Low	Low	Tolerate - keep under review

	IMPACT	SCORE	BENCHMARK EFFECTS
CRITERIA	CRITICAL/ CATASTROPHIC	5	Multiple deaths of employees or those in the council's care Inability to function effectively, council-wide Will lead to resignation of Chief Operating Officer and/or City Mayor Corporate manslaughter charges Service delivery has to be taken over by Central Government Front page news story in national press Financial loss over £10m
	MAJOR	4	Suspicious death in council's care Major disruption to council's critical services for more than 48hrs (e.g. major ICT failure) Noticeable impact in achieving strategic objectives Will lead to resignation of Strategic Director and/ or Executive Member Adverse coverage in national press/front page news locally Financial loss £5m - £10m
	MODERATE	3	Serious Injury to employees or those in the council's care Disruption to one critical council service for more than 48hrs Will lead to resignation of Divisional Director/ Project Director Adverse coverage in local press Financial loss £1m - £5m
	MINOR	2	Minor Injury to employees or those in the council's care Manageable disruption to internal services Disciplinary action against employee Financial loss £100k to £1m
	INSIGNIFICANT/ NEGLIGIBLE	1	Day-to-day operational problems Financial loss less than £100k

LIKELIHOOD	SCORE	EXPECTED FREQUENCY
ALMOST CERTAIN	5	Reasonable to expect that the event WILL undoubtedly happen/recur, possibly frequently and is probable in the current year.
PROBABLE/LIKELY	4	Event is MORE THAN LIKELY to occur. Will probably happen/recur, but it is not a persisting issue. Will possibly happen in the current year and be likely in the longer term.
POSSIBLE	3	LITTLE LIKELIHOOD of event occurring. Not likely in the current year, but reasonably likely in the medium/long term.
UNLIKELY	2	Event NOT EXPECTED. Do not expect it to happen/recur. Extremely unlikely to happen in the current year, but possible in the longer term.
VERY UNLIKELY/RARE	1	EXCEPTIONAL event. This will probably never happen/recur. A barely feasible event.

Appendix 3 - RISK ASSESSMENT / REGISTER TEMPLATE

						R	Risk Assessment / Reg	ister						
Completed by:												Date comp	leted: xx/xx/20	
Business Objective	Risk What is the problem/hazar d? What is it that will prevent you from meeting your objectives?	Consequence /effect: what would actually happen as a result? How much of a problem would it be? To whom and why?	Existing actions/controls What are you doing to manage this now?	exist mea	sures Scorin e)		Response Strategy / Action	Further management actions/controls required. What would you like to do in addition to your existing controls?	witi mai acti con req	get Scot h furth nagem ons/ trols uired e Scori le)	er ent	Cost (of Impact; of current controls; of further controls)	Risk Owner (Officer responsible for managing risk and controls)	Risk Review Date
				mpact	ikelihood	Risk Rating			mpact	ikelihood	Risk Rating			
What is your objective upon which the risk could have an effect? What is it you need to achieve?	What is the actual risk to your objective? This should be a statement that provides a brief, unambiguous and workable description that enables the risk to be clearly understood, analysed and controlled.	If the risk happens what will actually be the impact? What will go wrong/	What have you already got in place to either reduce the likelihood of this risk occurring, or to reduce the impact on your area/budget if it does happen? These will be factors that are exerting material influence over the risk's likelihood and impact.	Score scori for b and i the t toge the c score score take	e as pe ing guid oth im likeliho multipl wo ther to overall e. These es shou into unt the	r the de pact od y get risk se	Select from the 4 T's Tolerate, Treat, Transfer, Terminate	What further action do you feel necessary? Enter here regardless of whether you have the resource to makes these happen.	Sco sco for and taki acc pro con Mu two get	re as pring guboth in likelih ng into ount th posed trols. Itiply to toget the ov score.	er ide npact ood e new ne	What will it cost you/the council if this happens? Include also how much the current controls are costing you as well as the cost of future controls	Who is the owner of this risk on a day to day basis? This may not be the owner of the risk register.	When will the future controls be in place or when will the risk be reviewed?

Appendix 4 - 2022 TRAINING SCHEDULE

Risk, Emergency & Business Resilience Training Programme 2022

Below are details of the Risk, Emergency and Business Resilience (REBR) Training Programme for 2022. If you wish to attend these sessions, **please book via the 'Career and Development' tab on the ESS system.** Prior to booking, please discuss with and seek your manager's approval. Most of the sessions are limited to between 15 and 20 attendees, so bookings will be on a 'first come, first served' basis.

All the sessions will take place virtually on MS Teams and will start promptly at 10am. Sessions tend to run for no more than two and a half hours and should finish by 12.30pm.

Identifying and Assessing Operational Risks Training

13 January 22 February 9 March 6 April

27 April

24 May

30 June

14 July

20 September

26 October

24 November

(Training delivered by Sonal Devani and Nusrat Idrus)

Since October 2014 this session has been mandatory for all staff who complete an operational risk assessment or risk register. Anyone completing a risk assessment that has not been on this training recently may be exposing the Council to a potential uninsured loss. If in doubt – ask!

This course covers the process of Operational Risk Identification and Assessment and will touch upon identification of mitigating controls. The session includes an outline of the council's Risk Management Strategy and Policy and the role you play in implementing the strategy and policy. The session is for anyone who manages operational risk (manage staff; manage buildings; manage contact with service users or the general public) in their day to day role – all tiers of staff from Directors down – and those that let council contracts. The course will lead you through the agreed risk reporting process at Leicester City Council and allow you to identify your role within that process. The practical exercise should help staff complete the council's risk assessment form.

Business Continuity Management Training

18 January

2 March

12 May

7 June

6 September

9 November

(Training delivered by Sonal Devani and Nusrat Idrus)

This course provides an understanding of Business Continuity Management within the organisation. It explains the difference between managing business continuity and merely writing your plan. This understanding will allow you to manage unexpected incidents and get back to delivery of your 'business as usual' service in the event of an unforeseen circumstance. This session is aimed at anyone who has a responsibility for a building, staff; and for delivery of a service, therefore, needs to have a business continuity plan or would be part of a recovery team needed to restore an affected service after an incident. The session also outlines the council's Business Continuity Strategy and Policy and will explain how that might affect you and your work. A step-by-step guide is provided to completing the council's

BCP pro-forma. This session should be attended by all Heads of Service and their senior management to ensure that, in the event of a serious, unexpected incident, they understand the processes that will help to ensure the council can continue to operate with minimal impact.

Emergency Centre Volunteer Training

8 February

23 March

28 April

14 June

14 September

17 November

(Training delivered by Martin Halse, and Neil Hamilton-Brown)

The half day training session gives you an understanding of how an Emergency Centre is setup and the roles and responsibilities of staff and various organisations. 'What happens to people when there is a fire or flood in the city?' Frequently, the council is the first port of call for those caught up in the incident. One of the essential ways the council can help during an emergency is to open an emergency centre to assist those affected, such as happened during the recent major incident at Hinckley Road explosion.

Personal/Bespoke Sessions

We accept that, due to staff constraints and timing of leave, it may not be possible for all of your staff with a need to attend these training courses to attend one of the dates above. We continue to offer all of our training to specific groups of staff at times and locations to suit you. All of our training can be condensed to fit whatever time you have available. We can also focus on your own service area's needs and objectives when delivering this training to a bespoke group of staff. Please be aware that we are a small team and it may be that such a session may take weeks rather than days to be arranged.

If you would like to discuss a bespoke session, please contact: For Risk and Business Continuity:

Sonal Devani: (sonal.devani@leicester.gov.uk) / 454 (37) 1635 Nusrat Idrus (Nusrat.idrus@leicester.gov.uk) / 454 (37) 1623

For Emergency Management:

Neil Hamilton-Brown (Neil.Hamilton-Brown@leicester.gov.uk) / 454 (37) 1341

We would like to assist you in any way we can and are happy to meet you to assist you to identify training needs of your staff, whilst at the same time protecting the council's most valuable asset – you and your staff.

Sonal Devani Manager, Risk Management Risk, Emergency & Business Resilience

Appendix 5 – CATEGORIES OF RISK

Sources of risk	Risk examples
External	
Infrastructure	Functioning of transport, communications and infrastructure. Impact of storms, floods, pollution.
Political, Legislative and Regulatory	Effects of the change in Central Government policies, UK or EU legislation, local and National changes in manifestos. Exposure to regulators (auditors/inspectors). Regulations – change and compliance.
Social Factors and Public Health	Effects of changes in demographic profiles (age, race, social makeup etc.) affecting delivery of objectives. Crime statistics and trends. Numbers of children/vulnerable adults 'at risk'. Key Public Health issues.
Leadership	Reputation, authority, democratic changes, trust and branding. Intellectual capital. Culture. Board composition.
Policy and Strategy	Clarity of policies, communication. Policy Planning and monitoring and managing performance.
Technological	Capacity to deal with (ICT) changes and innovation, product reliability, developments, systems integration etc. Current or proposed technology partners.
Competition and Markets	Cost and quality affecting delivery of service or ability to deliver value for money. Competition for service users. Success or failure in securing funding.
Stakeholder related factors	Satisfaction of LCC taxpayers, Central Government, GOEM and other stakeholders. Customer/service user demand.
Environmental	Environmental impact from council, stakeholder activities (e.g. pollution – air and water, energy efficiency, recycling, emissions, contaminated land etc.). Traffic problems and congestion. Impact of activity on climate and climate change.
Operational (Internal influences)	
Finance & Budgets	Associated with accounting and reporting, internal financial delegation and control, e.g. schools finance, managing revenue and capital resources, neighbourhood renewal funding taxation and pensions. Liquidity and cashflow. Interest rates. Credit lines and availability. Accounting controls.
Human Resources, Capability and Capacity	Recruiting and retaining appropriate staff and applying and developing skills in accordance with corporate objectives, employment policies, health and safety.
Supply Chain - Contracts and Partnership	Supply Chain management. Contracts. Failure of contractors to deliver services or products to the agreed cost and specification. Procurement, contract and life cycle management, legacy. Partnership arrangements, roles and responsibilities.
Tangible Assets and Equipment	Safety and maintenance of buildings and physical assets i.e. properties; plant and equipment; ICT equipment and control. Public access.
Environmental	Pollution, noise, licensing, energy efficiency of day-to-day activities. Natural events, often weather related.
Project, Processes and Procedures	Compliance, assurance, project management, performance management, revenue and benefits systems, parking systems etc. Research and development.
Professional Judgement and Activities	Risks inherent in professional work, designing buildings, teaching vulnerable children, assessing needs (children and adults).
Safeguarding	Protection of vulnerable adults/children
Corporate Governance Issues	
Integrity	Fraud and corruption, accountability, transparency, legality of transactions and transactions and limit of authority.
Leadership	Reputation, authority, democratic changes, trust and branding.
Information Governance & Data Security/Information for decision making	Data protection, data reliability and data processing. Control of data and information. E-government and service delivery. IT Systems.
Risk Management and Insurance	Incident reporting and investigation, risk analysis or measurement, evaluation and monitoring. Taking advantage of opportunities.



Business Continuity Management Policy Statement and Strategy 2022

29/11/2021 Leicester City Council Sonal Devani on behalf of Miranda Cannon

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Business Continuity Management

Policy Statement and Strategy 2022

Business Continuity Management Policy Statement

Leicester City Council (LCC) is committed to implementing a robust and effective Business Continuity Management (BCM) system as a key mechanism to restore and deliver continuity of critical services in the event of a disruption or emergency. Disruptive events occur unexpectedly and such events could be **external** like severe weather, utility failure, terrorist attack or pandemic flu, or an **internal** incident such as ICT failure, loss of a major supplier or loss of a key building which could affect delivery of LCC's services. These events are usually low likelihood, but high impact which need to be planned for by implementing a robust, efficient and effective Business Continuity Management (BCM) system.

The Civil Contingencies Act 2004 places a statutory duty on the council (as a Category 1 responder) to ensure that it can:

- Respond to an emergency;
- Continue to support emergency response partners and
- Continue to provide critical services to the public.

By planning now rather than waiting for incidents to occur, we can resume normal business more effectively and efficiently. This is essential for those stakeholders who rely on council services and it helps communities retain confidence in the council. Planning means firefighting is kept to a minimum in a real incident, staff are able to handle situations better, service delivery is resumed at an acceptable level, reputational damage is managed and there is reduced potential for financial loss.

In a disruptive situation, it will not be possible to run **all** council services as normal. Priority for recovery will be given to those that are the most essential (business-critical services) – those that the Corporate Management Team (CMT) agree must be back up and running within 24 hours. All services and staff have responsibilities for ensuring the council continues to operate through any crisis. It is unrealistic to expect the entire service, critical or not, to be recovered immediately or fully following an incident. The key elements of the services affected should be restored followed by the non-essential elements when possible and that reasonable and practicable action is taken. Also, there will be instances where a dynamic risk assessment of the situation must be undertaken in order to make decisions which may not have been considered in the pre-planning stage because the unexpected happens.

The expectation is that all services whether deemed critical or not, should have a Business Continuity Plan (BCP) in place which aligns to the ISO22301 Standard for invocation in an incident.

The BCM Strategy and Policy sets the framework for our BCM approach, key elements of which include:

- Business Continuity Planning at LCC will be aligned with the International Standard for Business Continuity, ISO22301.
- The Incident Response Plan which is reviewed and updated annually;
- Business critical services are determined and agreed by CMT;
- Clear roles and responsibilities defined within both the Incident Response Plan and service business continuity plans which staff are fully aware of;
- Managers have responsibility for ensuring an effective service level BCP is in place for invocation (in line with the corporate standard) which is reviewed annually and as and when changes take place in the service;
- Corporate training provided to staff on BCM;

• The council will implement a programme of BCP testing exercises and learning will be reflected in plans.

The BCM Framework (Policy and Strategy) will be reviewed on an annual basis to ensure continued relevance and to assess that its aims and objectives are being met.

Alison Greenhill Chief Operating Officer Sir Peter Soulsby City Mayor

Business Continuity Management Strategy

1. DEFINITION

Business Continuity Management (BCM) is be defined as:

'A holistic management process that identifies potential threats to an organisation and the impacts to business operations that those threats, if realised, might cause, and which provides a framework for building organisational resilience with the capability for an effective response that safeguards the interests of its key stakeholders, reputation, brand and value creating activities.'

ISO 22301 Societal security - Business continuity Management systems - Requirements

BCM is about the council preparing for a disaster, incident or event that could affect the delivery of services. The aim being that at all times key elements of a service are maintained at an emergency level and brought back up to an acceptable level as soon as possible. Although the immediate response to a disruption is a key component, business continuity is also concerned with maintenance and recovery of business functions following such a disruption.

BCM is an ongoing process of risk assessment and management with the purpose of ensuring that the council can continue to deliver critical services if the risk materialises.

BCM is not simply about writing a plan, or even a set of plans. It is a comprehensive management process that systematically analyses the organisation, determines criticality of services, identifies threats, and builds capabilities to respond to them. It should become our 'culture - the way we do things'.

2. SCOPE

BCM is a cross-functional, organisation-wide activity; consequently, the arrangements in this strategy apply to all parts of the council.

Business Continuity will also apply to outsourced contracts, services as well as suppliers, service partners and other relevant stakeholders. This is covered in more detail in section 13. The aim is to ensure that business continuity practice is implemented so that the service provider is able to deliver acceptable standards of service following a disruption to the organisation or the supplying company.

3. IMPORTANCE AND BENEFITS OF BCM

The Civil Contingencies Act 2004 places a statutory duty upon the council and, as a Category 1 responder, Leicester City Council (LCC) has legislative requirement to develop and maintain plans to ensure that it can continue to exercise its functions in the event of an emergency so far as is reasonably practicable. In addition, a clear procedure for invoking BCP's should be in place. Plans should also be reviewed and tested periodically to keep them up to date. Training should be provided to those staff responsible for populating, invoking and reviewing BCPs.

The benefits of having a clear, unambiguous and appropriately resourced Business Continuity Management policy and programme include:

- **Resilience** Proactively improves resilience when faced with the disruption to the council's ability to achieve its key objectives;
- Reputation Helps protect and enhance the council's reputation as well as reducing the risk of financial loss;

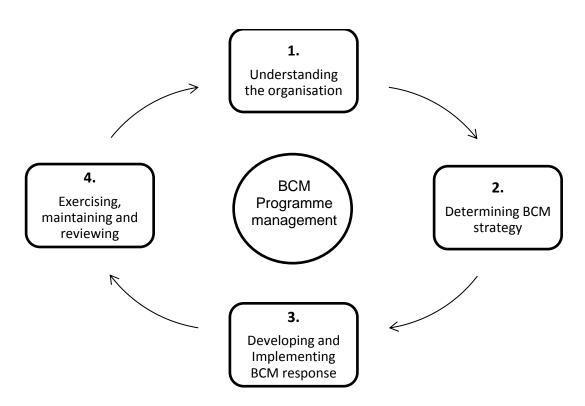
- **Business improvement** Gives a clear understanding of the entire organisation which can identify opportunities for improvement;
- Compliance Demonstrates that applicable laws and regulations are being observed;
- **Cost Savings** Creates opportunities to reduce the cost of business continuity management and may reduce insurance premiums. Poorly managed incidents also leave the council and its officers exposed to insurance claims;
- **Delivery -** Provides a rehearsed method of restoring the council's ability to supply critical services to an agreed level and timeframe following a disruption;
- Management Delivers a proven capability for managing disruptions which helps to retain confidence in the council.

BCM arrangements are effective only if specifically built for the organisation. The council's programme is aligned with the principles of ISO22301, the International Standard, and to BS11200 Crisis Management Guidance and Good Practice, a recent standard for Crisis Management which is reinforced by reference to the Business Continuity Institute's Good Practice Guidelines.

4. METHODOLOGY

The ultimate aim is to embed BCM within the council's culture. Training and education is an ongoing task but awareness and capability is also a product of the structures put in place and the way we manage our programme.

Embedding BCM in the organisation's culture



Key stages in a BCM programme are:

1. Understanding the organisation:

This involves carrying out business impact analysis (BIA) and risk assessments to identify critical activities / functions, evaluate priorities and assess risks to service delivery (see below). This involves in-depth information-gathering:

- **BIA** identify the critical processes and functions and assessing the impacts on the council if these were disrupted or lost. The BIA measures the impact of disruptions upon the organisation;
- **Risk assessment** once critical processes and functions have been identified, a risk assessment can be conducted to identify the potential threats to these processes. Specific risks that would have a high local adverse impact are documented in service BCPs with details of contingency arrangements in place.

2. Determining an appropriate Business Continuity Strategy:

This involves identification of strategies that support the timely and efficient recovery of services including making decisions based on analysis of data gathered in the above stage, setting recovery time objectives for services and determining resources required to mitigate loss, and assessment of effectiveness in maintaining the council's ability to deliver critical service functions.

BCM strategies at LCC involve:

- Implementing appropriate measures to reduce the likelihood of incidents occurring and/or reduce the potential impacts of those incidents;
- Taking account of mitigation measures in place;
- Providing continuity for critical services during/following an incident;
- Identifying key staff/teams who would be involved in a BCM response to an incident and accessibility to critical BCPs;
- Factoring services that have not been identified as critical in planning of BC;
- Consider, determine and set communication channels for implementation in an incident.

3. Developing and implementing a BCM response:

The Incident Response Plan and service areas BCP pulls together the organisation's response to a disruption and enables resumption of business units according to agreed corporate priorities. The BCP ensures that the following actions are considered:

- The immediate response to the incident;
- The interim solutions for maintaining an emergency level of service;
- Reinstating full services.

4. Exercising, maintaining and reviewing:

 Testing and Exercise – Testing ensures plans are in step with organisational changes and can be audited against defined standards. This enables the organisation to demonstrate the extent to which plans are complete, current and accurate and helps identify opportunities for improvement

- **Maintenance of BCPs** Ensures the organisation's BCM arrangements and plans are fit for purpose, kept up to date, quality assured and support an effective response.
- Review and Lessons Learnt Assesses suitability and adequacy and effectiveness of the BCM
 programme and identifies opportunities for improvements. It is imperative that a debrief is held
 after any incident with the involvement of relevant parties, be it internal or external. Lessons
 learnt should be reflected by updating BCPs accordingly.

5. INVOKING THE INCIDENT RESPONSE PLAN

The Incident Response Plan is a high-level strategic response plan which is accessible to all 'on call senior officers and other relevant staff'. This plan will not allow recovery of individual services but guides them to allow for the recovery of affected services, with the use of service area BCPs. The Incident Response Plan can be invoked by any member of the council's Corporate Incident Response Team (CIRT) as defined within the plan itself.

The Incident Response Plan can be triggered by serious situations such as:

- Serious danger to lives and/or the welfare of council staff, Members, visitors or service users;
- Major disruption of council services or interruption of any of its business-critical activities (as listed in the Incident Response Plan);
- Serious loss or damage to key assets;
- · Serious impact on the council's financial status or political stability; or
- Emergency situations in Leicester, or the wider Local Resilience Forum area (Leicester, Leicestershire and Rutland).

CORPORATE INCIDENT RESPONSE TEAM

The council has put in place a 3-tier incident management structure: - the Strategic (Gold) and Tactical (Silver) teams have control of the situation and are authorised to take all decisions necessary. The Strategic (Gold) Team have overall control by overseeing, directing and authorising the work of the Tactical (Silver) Team who are managing the response and monitoring the actions for the Operational teams to implement.

The Incident Response Plan sets out this process in more detail. The constitution of the following teams can change as the BCM response unfolds which are:

Incident Response Team:

- Comprises predominantly of those Directors and Senior Heads of Service who have responsibility for a defined Business Critical Activity;
- Manages and directs the council's response to a serious incident affecting council services or assets;
- Comprises of the Strategic (Gold) and Tactical (Silver) teams;
 - Strategic (Gold) Team will act as a 'check and challenge' function and leads on communications (internal and external), workforce-related matters and directs noncritical services;
 - o **Tactical (Silver) Team** will manage the Operational (Bronze) Recovery teams and keeps the Strategic (Gold) team informed of developments.

Recovery Teams:

- Comprises principally of Heads of Service and their senior managers;
- Collective responsibility for resumption of critical services within their divisions by means of their own individual BCPs;
- Will be directed by and report back to the 'Tactical' (Silver) team.

The above establishes the command, control and communication system helping to ensure the organisation has clearly documented and well understood mechanisms for responding to an incident regardless of its cause.

7. MAINTENANCE OF THE INCIDENT RESPONSE PLAN

It is crucial that the Incident Response Plan reflects ongoing changes within the organisation. This involves revising the document and amending to reflect updates, testing the updated plan, informing and updating the on-call team / authorised personnel. REBR will facilitate the maintenance of this plan and annually will ensure that this undergoes a formal / complete review which may lead to major revisions.

8. BUSINESS CRITICAL SERVICES BCPs

Annually, the Business Continuity & Risk Officer / Manager, Risk Management circulate a reminder to business-critical services plan owners requesting a thorough update of the plan for submission to REBR. The Business Continuity & Risk Officer facilitates this process. Although, changes should be made to BCP's as and when new staff join or leave, to reflect office moves, procedures changing, a thorough review is expected annually, usually by the financial year end.

Each department is responsible for keeping its contact lists up to date and issuing off site documentation to new members of staff in their service areas BCPs. These revisions will need to then be distributed to all authorised personnel, who exchange their old plans for the newly revised plans.

9. LOCATING BCPS

The Incident Response Plan and Critical Service BCPs are held securely on Resilience Direct (a secure Government IT platform within which LCC have a restricted area) as well as the restricted pages on MS Teams.

BCPs should be saved electronically and onto a memory stick (ensuring that the memory stick is an encrypted one). Holding paper copies is acceptable as this mitigates the risk of total loss of ICT, however, also being cautious of such a method as the plan will contain confidential information. All staff within teams should be aware who has access to their service area BCP. This will ensure smoother and faster recovery following an incident.

10. ROLES AND RESPONSIBILITIES

The table below details the roles and responsibilities of those involved in the planning and implementation of BCM and invocation of plans.

City Mayor / Executive	Approve the council's Business Continuity Strategy and Policy Statement annually.
Audit and Risk Committee	 Ensure that the Business Continuity Strategy is produced, approved by CMT and the Executive and updated regularly; Monitor effectiveness of Business Continuity Management (BCM) arrangements via reports from the Manager, Risk Management Note the BC Policy & Strategy
Chief Operating Officer / BCM Champion	During an incident, lead the council's 'Strategic' (Gold) Incident response.
Strategic and Operational Directors	 Ensure the BCM policy, strategy and development plan is enforced and resourced appropriately; Participate as required in management teams within the Incident Response Plan; Ensure appropriate staff sit on the 'Strategic' (Gold) and 'Tactical' (Silver) Recovery teams within the Incident Response Plan; Ensure each of their Service Areas has an effective and current BCP in place which is reviewed each year; Annually self-certify that effective plans exist for all their services, that these plans remain current and 'fit for purpose'; and that any testing of those plans has been carried out (with the assistance and support of Risk, Emergency & Business Resilience (REBR), if required); Identify staff for training and keep themselves updated on BCM practice; Embed BCM culture into the ethos of operational management
Corporate Management Team	Approve the BC Strategy and Policy annually and ensure implementation
Manager, Risk Management / Business Continuity & Risk Officer	 Produce the Business Continuity Policy and Strategy and ensure it is reviewed annually; Co-ordinate the BCM programme; During an incident, co-ordinate the council's BCM incident response(s) supporting the COO as 'Strategic' lead; Following an incident, facilitate the 'lessons learned' session(s); Produce the Corporate BCM framework; Make available best practice tools (e.g. templates); Identify training needs and arrange delivery; Support and advise service areas and LA maintained schools; Facilitate the self cert process; Facilitate testing and exercising of the council's BCPs when requested by Directors/their teams; Quality control – review BCM arrangements for services; Promote BCM in the community.
All Heads of Service / Managers	 Lead Business Continuity arrangements within their area; Attend training commensurate with their role; Identify staff from their teams that have a role to play in any recovery for suitable training; Prepare a recovery plan covering all service delivery functions (priority for critical functions), update at least annually; and, Implement the agreed arrangements in the event of a disruption.
All Staff	 Familiarisation with business continuity arrangements within their area; Attend training commensurate with their role; Engage with testing and exercising; Respond positively during a crisis.

11. BUSINESS CONTINUITY SELF CERTIFICATION

Annually, all Directors will self-certify that BCPs are in place for all their services where the Manager, Risk Manager will facilitate the process and report to CMT.

12. MANAGING BUSINESS CONTINUITY INCIDENTS AND INCIDENT MANAGEMENT SYSTEM

REBR support and advise service areas during a business continuity incident to help manage a response to an incident. Once an incident has concluded, REBR can assist with conducting a debrief and draw out any lessons learnt, involving relevant parties and gather feedback for distribution, and where necessary, services amend BCPs appropriately to reflect any changes.

On-call officers are regularly briefed by REBR on how to deal with internal and external incidents and its response. In addition, they are also briefed on guidance, plans and processes available to them to aid in the response to an incident.

REBR have access to an Incident Management System (IMS) to log incidents. This cloud web-based system is accessible anywhere as long as there is internet access and all entries on logs are timed, dated and include the name of the person completing the log. All key LCC responders are / will be given access to log entries during an incident. This is to be used for all major and minor incidents and may help for discussion points when conducting the debrief.

13. BUSINESS CONTINUITY AND PROCUREMENT

Contracts for goods and / or services deemed critical to business continuity should include a requirement for each nominated supplier to give an assurance and evidence that robust BCP arrangements are in place covering the goods and/or services provided. When procuring for goods and/or services, the need for business continuity requirements in the specification and/or evaluation criteria must be considered.

14. BCM IN THE COMMUNITY

The council will participate in appropriate practitioner groups and work with partner agencies to promote BCM in the community including schools and will advise and assist local organisations with their BCM arrangements. Both the Business Continuity and Risk Officer and Manager, Risk Management regularly attend School Business Manager meetings to promote BCM and offer services such as reviewing of school BCPs as well as facilitating desktop exercises to test their plans.

15. MULTI-AGENCY BUSINESS CONTINUITY GROUP

The Manager, Risk Management will continue to chair this group which involves partner agencies such as emergency services, utilities, voluntary organisations. These meetings highlight how partner agencies respond to an incident and its business continuity implications.

Financial Update Report

Audit & Risk Committee

Date of meeting: 16th March 2022

Lead director: Colin Sharpe, Deputy Director of Finance

Useful information

■ Ward(s) affected: All

■ Report author: Ben Matthews

■ Author contact details: <u>ben.matthews@leicester.gov.uk</u>

■ Report version number: V1.1

1. Purpose of Report

To provide the Audit & Risk Committee with an update on key changes currently affecting the Council, and which may have an impact on the work of this committee.

2. Summary

The report provides an update to the committee on the following areas:

- New International Financial Reporting Standard for Leases
- Update on progress against External Audit recommendations
- Local Government Sector update
- Financial Management Code
- CIPFA Consultations Prudential code and Treasury Management
- Independent Chair of Audit & Risk Committee
- External Audit Delays

3. Recommended actions/decision

The Committee is asked to note the contents and make any recommendations or comments it sees fit to either the Executive or Deputy Director of Finance.

The Committee is also asked to support the change to the constitution for the appointment of an Independent Member to Audit & Risk Committee. This change will be subject to full Council approval.

4. Scrutiny / stakeholder engagement

N/A

5. Background and options with supporting evidence

N/A

6. Detailed report

6.1. New International Financial Reporting Standard - Leases

6.1.1. Under current lease accounting there are two types of leases, a finance lease and operating lease. The main difference in the two types of lease is whether they are held on the balance sheet and therefore are counted as

- capital expenditure, or they are not held on the balance sheet and so are revenue expenditure.
- 6.1.2. The new accounting standard removes this difference, resulting in all leases being finance leases and therefore are capital expenditure and held on our balance sheet, unless deemed immaterial. This means on implementation of this new accounting standard the Council's asset values will increase for any operational leases currently treated as revenue and in turn our liabilities will increase to recognise the monies due to the lessor during the period of the lease. This change in accounting treatment does not impact the amount the Council is paying for leases and therefore the Council's budget.
- **6.1.3.** After a number of delays the accounting standard was expected to be implemented for the financial year 2022/23. The Council has already done significant work on these changes due to the delays and is prepared for the implementation. However, a recent consultation released by CIPFA seeking to address the national issue of Local Authority audit delays as mentioned below in para 6.7.5 is exploring whether the new leasing standard could be delayed a further year for implementation in 2023/24 to reduce pressure on Local Authority audits.

6.2. Update on progress against External Audit recommendations

- **6.2.1.** At the September Audit and Risk Committee, External Audit made some recommendations in relation to the Council asset valuation process and the impact on the Council's accounts. As recognised at the meeting by officers this was not the first time recommendations had been bought to the Committee in relation to this process and it was recognised further improvements were required.
- **6.2.2.** Since this meeting Finance and Estates and Building Services have created a plan to rectify the issues previously identified. These changes are to ensure the information held is accurate and checks are in place to identify any errors prior to publishing our draft accounts. In addition, the teams have reviewed all the assets that were being held with a nil net book value.
- 6.2.3. In addition to the above recommendations in relation to valuations there was a recommendation in relation of the segregation of duties within Unit4 and ITrent. Management have been working through this recommendation and identifying if there are any risks to the Council, we will report to External Audit during the course of the audit.

6.3. Local Government sector update

6.3.1. There are concerns within government about financial difficulties facing local authorities due to budget cuts and poor governance arrangements. This is prompting the government to review their own governance arrangements for local authorities such as updating the prudential code, treasury management code and reviewing the local audit framework.

- 6.3.2. It has been well publicised that local authorities have had financial difficulties as a result of the required budget cuts and the achievability of savings. With some councils having to make in year savings due to significant overspends. The Council has recently approved the 2022/23 budget and the difficulties in particular relation to the growing costs of social care were noted. The budget is balanced using the managed reserve strategy. Budget savings are being sought to enable us to balance our budget in future years.
- **6.3.3.** Another source of the financial difficulties facing some local authorities has been around not having appropriate governance arrangements involving their investment portfolios, in particularly commercial property. Whilst initially it appeared that investments made purely on commercial terms were a way to generate revenue for local authorities, if these investments have been made without having a coherent strategy and appropriate governance arrangements in place, the result has been significant losses for some local authorities.
- 6.3.4. In the sector there has also been a focus on local authorities' involvement with third parties and earlier in the year a report was presented to the committee as a result of public interest reports on other councils' involvements in third parties and the risk this presents to public funds. The report also covered the Council's own involvement in third parties. Subsequent work by internal audit acknowledges the Council has taken proactive steps to assess its risks and has not identified any high risk entities.

6.4. Financial Management Code

- **6.4.1.** Following the financial and governance issues being experienced by the Local Government Sector, the financial management code was introduced by the Chartered Institute of Public Finance and Accountancy (CIPFA) to support good financial management and assist Local Authorities. It is the Council's responsibility to ensure we comply with the Financial Management Code, 2021/22 being the first year of full compliance.
- **6.4.2.** The Financial Management Code sets out a number of standards and the Council has to demonstrate how it complies with those requirements. The table in Appendix A details the standards and what the Council does to ensure good financial management.

6.5. CIPFA Consultations - Prudential code and Treasury Management

6.5.1. As identified above in paragraph 6.3.3, there has been concern at government level that a few local authorities have been riskily borrowing money to invest in commercial property, mainly with the aim of getting a return. The investments have often been outside of their boundaries and therefore could not be considered as delivering other objectives for their own areas such as regeneration. What is proposed now, is to block borrowing for the acquisition of commercial property where the primary aim

- is to generate revenue, though it would not prevent the Council borrowing for regeneration schemes.
- **6.5.2.** Originally the draft proposals suggested that new borrowing should be avoided if existing commercial investments can reasonably be sold. However, following consultation the new prudential code published in late December 2021 only stated that if Local Authorities expected to borrow then they should review their commercial assets. This is considered good practice and not an issue for the Council.

6.6. Independent Member of Audit & Risk Committee

- **6.6.1.** The Council currently complies with CIPFA's guidance on the function and operation of audit committees in local authorities. Currently there is no requirement to have an independent member however, it is noted in the CIPFA audit committee guide that good practice shows that co-opting an independent member can be beneficial to the audit committee.
- 6.6.2. In addition, as part of the Redmond Review one of the recommendations was for consideration to be given for the appointment of a suitably qualified independent member to audit committees. Furthermore, the External Audit Annual Audit Report also on this agenda includes an independent member as a recommendation.
- **6.6.3.** The benefits an independent member can bring to the committee are:
 - Additional knowledge and expertise
 - Additional independence
 - Continuity of the committee membership through the electoral cycle.
- **6.6.4.** It is therefore planned to propose to full Council to change the constitution for 2022/23 to enable an addition of an independent member onto the committee in addition to the 8 elected members. It should be noted that the independent member will be a fixed term post and have no voting rights, so will only be able to comment or make recommendations.

6.7. External Audit Delays

- 6.7.1. At the September Audit and Risk Committee it was reported that although the Statement of Accounts could be signed off, there would be delays in issuing the final certificate. This is due to the Value for Money (VFM) deadline being extended and the late issue of the Whole of Government Accounts (WGA) by government. The WGA has not yet been sent out by Government for the Council to complete and there is currently no clarity on when it may be available.
- **6.7.2.** External Audit delays for 2020/21 accounts audits are a national issue, with the Public Sector Audit Appointments (PSAA) reporting that at the target date of 30 September 2021 only 9% of local government bodies' 2020/21 audits had been completed. The position compares to the completion of 45% of 2019/20 audits and 57% of 2018/19 audits by the respective target dates of 30 November 2020 and 31 July 2019.

- 6.7.3. These audit delays have been brought about by national issues within the sector. This main reasons for the delays are increased requirements placed on External Audit, restrictive audit fees, changes in the value for money opinion, COVID-19 Pandemic and resourcing issues. Ways to resolve the issues around Local Authorities are being considered and some may be resolved through the procurement process for the new national contracts.
- **6.7.4.** The above was recently recognised by a letter from the Department for Levelling Up, Housing and Communities. The letter noted that very few met the 30th September deadline and that causes for delays were multifaceted. It noted that all parties needed to remember their responsibilities but recognised that the problem requires a system wide response to get the system back on track.
- 6.7.5. In December 2021 the Department for Levelling Up, Housing and Communities asked CIPFA to consider ways in which the financial reporting code may be able to assist with this national issue. CIPFA in response has released an exceptional consultation exploring two approaches:
 - An adaption to the financial reporting code to pause professional valuations for operational property, plant and equipment for two years starting in 2021/22.
 - The deferral of the new lease accounting standard by a further year for implementation in 2023/24, as mentioned above in para 6.1.3.
- **6.7.6.** Officers acknowledge both of the above proposals would reduce a significant amount of work for both the Council and External Auditors. Unfortunately, the timing of the consultation means that work is already well underway will likely have been completed by the time the results of the consultation are released.

7. Financial, legal, equalities, climate emergency and other implications

7.1 Financial implications

There are no direct financial implications arising from this report.

7.2 Legal implications

There are no legal implications arising from this report.

Emma Jackman, Head of Law (Commercial, Property & Planning)

7.3 Equalities implications

The council must have 'due regard' to the need to eliminate unlawful discrimination, harassment and victimisation, as well as to the need to advance equality of opportunity and foster good relations between people who share a protected characteristic and those who do not.

The terms of appointment of an Audit and Risk Assurance Committee member should be clearly set out at the time of appointment.

There are no direct equality implications arising from this report.

Surinder Singh, Equality Officer, Ext 37 4148

7.4 Climate Emergency implications

There are no significant climate emergency implications directly associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

7.5 Other implications (You will need to have considered other implications in preparing this report. Please indicate which ones apply?)

N/A

8. Background information and other papers:

Draft audit findings report presented to Audit & Risk Committee in September 2021

https://cabinet.leicester.gov.uk/documents/s124728/Appendix%20A%20-%20LCC%20-%20Audit%20Findings%20Report%20LG%202020-21-%20DRAFT.pdf

Revenue Budget Report 2022/23

<u>Budget 2022/23 leicester.gov.uk</u>

Leicester City Council Interests in Third Parties Report presented to Audit & Risk Committee in March 2021

https://cabinet.leicester.gov.uk/documents/s118050/LCC%20interests%20in%20third%20parties%20-%20CMB%20v4%20FINAL.pdf

External audit delays – Public Sector Audit Appointments

https://www.psaa.co.uk/2021/10/news-release-2020-21-audited-accounts-psaa/

9. Summary of appendices:

Appendix A – Summary table of CIPFA financial management standards and how Leicester City Council complies

- 10. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)? No
- 11. Is this a "key decision"? If so, why? No

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Appendix ASummary table of CIPFA financial management standards and how Leicester City Council complies

CIPFA financial management standard	How the Council demonstrates it complies	
The leadership team is able to demonstrate that the services provided by the authority provide value for money.	Annually this is supported by the external audit value for money opinion.	
	Ensuring value for money is also the role of the section 151 officer and this is evidenced in the Annual Governance Statement, under the summary of the Council's governance arrangements.	
The authority complies with the CIPFA Statement on the Role of the Chief Finance Officer in Local Government.	The section 151 officer and Deputy Director of Finance are both professionally qualified and have suitable experience. They are both key members of the leadership team and are actively involved in all material business decisions, ensuring they are in line with the Council's financial strategy.	
	They safeguard public money through good financial management and lead a finance team that is resourced and fit for purpose. Annually this is supported by the value for money opinion and the audited statement of accounts.	
The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control. The authority applies the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework (2016).	The annual governance statement that is included in the Council's statement of accounts supports the leadership team meeting these requirements. The annual governance statement includes: • How governance and internal control are supported by scrutiny and review, in particular through the audit and risk committee. • A statement from the Council that it complies with the CIPFA/SOLACE Delivering Good Governance Framework (2016).	

The financial management style of the authority supports financial sustainability.	Annually the Council approves the budget strategy which includes the Revenue and Capital budgets, alongside the Treasury Management Strategy and Investment Strategy. As part of the budget strategy the	
The authority has carried out a credible and transparent financial resilience assessment.	Strategy and Investment Strategy. As part of the budget strategy the medium term financial outlook is considered and it is acknowledged the Council is using managed reserves to balance the budget, evidencing the Council understands its prospects for financial sustainability in the longer term and it is reported clearly to members. The budget report includes a statement from the Chief Finance Office	
The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.		
The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.	on the robustness of estimates and the adequacy of financial reserves.	
The authority complies with its statutory obligations in respect of the budget setting process.	Throughout the year monitoring is then conducted to identify any variations from what was budgeted and allows for timely corrective action to be taken. Monitoring reports are subject to scrutiny and go to the overview select scrutiny committee on a periodic basis. This includes the capital and revenue budget monitoring, income collection and treasury management reports.	
The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.		
The authority complies with the CIPFA Prudential Code for Capital Finance in Local Authorities.	Annually the Council approves the budget strategy which includes the Treasury Management Strategy and the Investment strategy. These strategies comply with the prudential code. The Council will also report its compliance to these strategies twice for each financial year.	
The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.	Annually as part of the draft budgeting setting process, the draft budgets are issued for consultation before they are submitted for formal approval.	
The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.	As part of the executive approval process, decision reports are submitted to the executive which where appropriate contain option appraisals and a recommended course of action. Decisions are published on the Council's website.	

The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.	Throughout the year monitoring is conducted to identify any variations	
The leadership team monitors the elements of its balance sheet that pose a significant risk to its financial sustainability.	from what was budgeted and allows for timely corrective action to be taken. Monitoring reports are subject to scrutiny and go to the overview select scrutiny committee on a periodic basis. This includes the capital and revenue budget monitoring, income collection and	
The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.	treasury management reports.	
The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the Code of Practice on Local Authority Accounting in the United Kingdom.	Annually the statement of accounts are published and complying with the CIPFA code of practice is included within the statement of responsibilities signed by the section 151 officer. The statement of accounts are audited annually and we regularly receive an unqualified audit opinion.	

Appendix G

Annual Review of the Council's Local Code of Corporate Governance

Decision to be taken by: Audit and Risk Committee

Date of meeting: 16th March 2022

Lead directors: Deputy Director of Finance, City Barrister & Head of Standards

Useful information:

Ward(s) affected

Report author
 Amy Oliver, Head of Finance

Author contact details x 37 5667

Report version number
 V1

1. Purpose of Report

1.1 To present to the Audit & Risk Committee for approval updates to the assurance and corporate governance processes at the City Council and to approve the Local Code of Corporate Governance.

2. Recommendations

- 2.1 The Committee is recommended to:
 - a) Approve the Local Code of Corporate Governance (Appendix 1)

3. <u>Summary</u>

- 3.1 In the interests of good governance and compliance with law and regulation, the Council has in place a Local Code of Corporate Governance and a formally constituted Audit & Risk Committee. The Committee has prescribed terms of reference that form part of the Council's constitution and are designed to enable the Committee to discharge its functions both as 'those charged with governance' generally and as 'the Board' under the Public Sector Internal Audit Standards.
- 3.2 There are clear linkages between these components in making up the Council's overall system of corporate governance. In order that they remain relevant and fit for purpose, each of these documents is subject to regular review.
- 3.3 Reporting on actual compliance (i.e. what we have achieved as an organisation in this regard) will be reported in due course through the Annual Governance Statement.

3.4 Local Code of Corporate Governance

- 3.4.1 A central component of the Council's system of governance is its Local Code of Corporate Governance. This reflects the main components set out in the CIPFA and SOLACE guidance *Delivering Good Governance in Local Government: Framework*. The Local Code is a public statement of the arrangements the Council has in place to ensure it conducts its business in a way that upholds the highest standards.
- 3.4.2 The Local Code of Corporate Governance is therefore an important part of the Council's public accountability. It is important it remains fit for purpose, as each year the Council conducts a review of compliance with the Code. The results of this feed into the annual review of the effectiveness of the Council's system of internal control, thereby contributing to the Annual Governance Statement.

- 3.4.3 The Code has been refreshed for 2022/23 to ensure it sets out the Council's objectives and reflects the controls currently in place. The main change relates to the key plans that have recently been updated.
- 3.4.4 The Local Code of Corporate Governance is given at **Appendix 1.**

4. Financial, Legal and other implications

4.1 Financial Implications

Adequate and effective systems of corporate governance and assurance and an effective Audit & Risk Committee are all central components in the processes intended to help ensure that the Council operates efficiently, cost effectively and with integrity. Such arrangements will support the processes of audit and internal control that will help the Council as it faces financially challenging times.

Amy Oliver, Head of Finance, x37 5667

4.2 Legal Implications

Part 2 of the Accounts and Audit (England) Regulations 2015 obliges the Council to ensure that the financial management of the Council is adequate and effective and that the Council has a sound system of internal control which facilitates the effective exercise of its functions and which includes arrangements for the management of risk. The Council must conduct a review at least once in a year of the effectiveness of its system of internal control and following the review, must approve an annual governance statement.

Kamal Adatia, City Barrister & Head of Standards, x37 1401

5. Other Implications

Other Implications	Yes/No	Paragraph or references within the report
Equal Opportunities	No	
Policy	No	
Sustainable and Environmental	No	
Climate Change	No	
Crime and Disorder	Yes	This report is concerned with effective systems of governance and control, which are an important safeguard against the risks of theft, fraud and corruption.
Human Rights Act	No	
Elderly/People on Low Income	No	
Corporate Parenting	No	
Health Inequalities Impact	No	
Risk Management	Yes	The whole report concerns the governance and assurance processes, a main purpose of which is to give assurance to Directors, the Council and this Committee that risks are being managed appropriately by the business.

6. Report Author

Amy Oliver, Head of Finance x37 5667

Appendix 1

Local Code of Corporate Governance 2022/23

INTRODUCTION

The Council's Code of Corporate Governance is based on the CIPFA/SOLACE publication "Delivering Good Governance in Local Government Framework 2016"

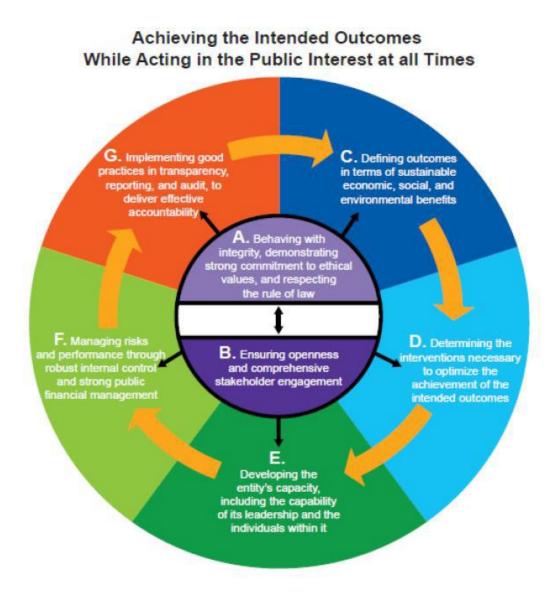
The International Framework defines Governance as arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved. The framework goes on to state to deliver good governance in the public sector both governing bodies and individuals working for them must aim to achieve their entity's objectives while acting in the public interest at all times.

Leicester City Council is committed to the principles of good corporate governance as identified in the CIPFA/SOLACE guidance. Its commitment is confirmed through the adoption of its Local Code of Corporate Governance and its publication of the Annual Governance Statement.

This document sets out Leicester City Council's *Local Code of Corporate Governance* for 2022/23 and the processes for monitoring its effectiveness. The Code provides the framework for the Council to achieve its aims and objectives.

CORE PRINCIPLES

The Council's Code of Corporate Governance is based on the seven core principles. The illustration below shows the principles of good governance in the public sector and how they relate to each other.



HOW THE COUNCIL ENSURES GOOD GOVERNANCE

The following details how the Council ensures good governance and complies with the CIPFA/SOLACE "Delivering Good Governance Framework" (2016)

Beha	wing with Integrity, demonstrating strong commitment to ethical values, and respecting the rule of law.
We h	ave the following codes and rules which are followed:
•	Constitution
•	Financial Procedure Rules
•	Code of Conduct for Members
•	Code of Conduct for Employees
•	Anti-fraud, Bribery & Corruption Policy
•	Whistleblowing Policy
•	Information Governance & Risk Policy

Ensuring openness and comprehensive stakeholder engagement.
We show openness and engagement through the following:
Open Council & committee meetings with published minutes
Published Executive Decisions
Scrutiny of Executive projects through commissions
Call in periods for Executive decisions
Public engagement through consultation, representations and petitions
Use of social media engagement on key projects and partnership working
Publication of Freedom of Information Act responses and transparency data
Defining outcomes in terms of sustainable economic, social and environmental benefits
The City Mayor has set out a strategic vision in terms of a number of key pledges which relate to:
A Fair City
Homes for All
Connecting Leicester
Sustainable Leicester
Health and Care
Lifelong Learning
A City to Enjoy

A Safe and Inclusive City

Examples of the Council's commitment to achieving good governance in practice is demonstrated below

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

The Council is supported by:

- Democratic services including Member and Civic Support Services, who also support member development
- An Organisational Development Team, who ensure effective development of employees
- A communications functions which includes PR, Media and Digital Media Teams
- A staff intranet and established internal communication channels, which provide guidance to staff
- Partnership working on key priorities
- An Information Governance Team to support our data policies
- Specialist teams offering professional advice, for example Legal, Procurement, IT and Finance

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

We review processes and delivery throughout the year supported by:

- Internal Audit
- External Audit
- Information Governance
- Audit and Risk Committee

- 7
- Open Council & committee meetings with published minutes
- Compliance with CIPFA codes of Practices

Annual Governance Statement

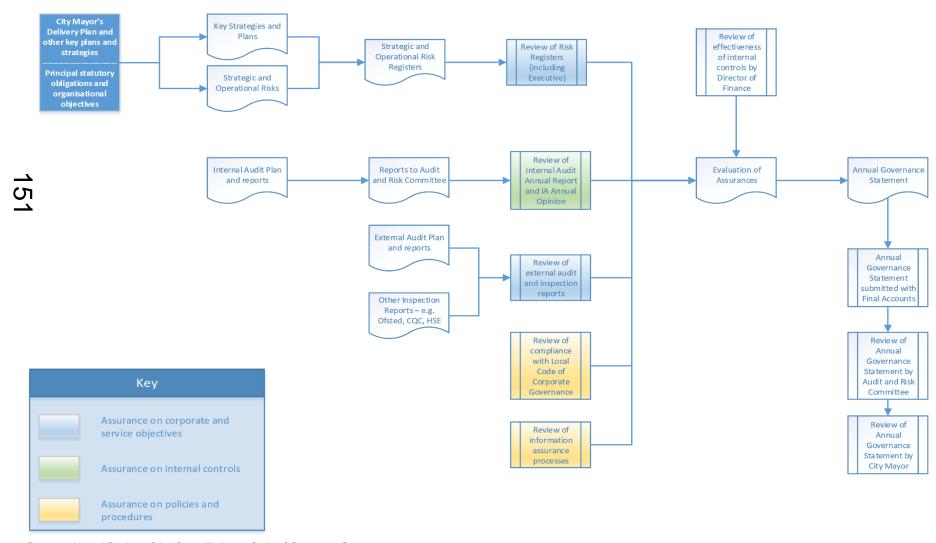
- Scrutiny Committees
- External inspections and reviews of services

Additional information on many of the areas detailed above can be found on the Council's website;

Hyperlink to council website with additional information on how the council ensures good governance

ANNUAL REVIEW OF GOOD GOVERNANCE

The Council is annually required to assess how effective its governance arrangements are and report this through the Annual Governance Statement. The assessment of the Council's effectiveness is completed by following the framework below;



Report – Annual Review of the Council's Local Code of Corporate Governance

Appendix H



Corporate Complaints (Non-Statutory) 2020-21

Audit and Risk Committee: 16 March 2022

Lead director: Colin Sharpe, Deputy Director of Finance

Useful information

■ Report author: Nilkesh Patel (Service Improvement Manager)

■ Author contact details: 0116 454 2505

■ Report version number plus Code No from Report Tracking Database: V1

1. Purpose of report

1.1 To provide an update on the corporate non-statutory complaints in 2020/21; and for Members to note the improvements, comment upon our actions from the lessons learned and planned future changes.

2. Recommendations

- 2.1. Members are asked to:
 - a) Note and comment upon the report observations, including the comparisons and improvements within the administration of complaint handling.
 - b) Comment upon our actions for future change.

3. Service delivery

- 3.1 Leicester's single stage non-statutory complaints regime has streamlined the complaints process and now provides a flexible approach to handling a complaint depending on its nature and complexity. The Corporate Complaints team will speak to the customer and liaise with the service on their behalf to ascertain if the action they wish to happen can be completed. If this is the case, we categorise this as a *service request* or *request for action* and the customer issue is resolved at the first opportunity. This "triage" or "prevention" process has been successful in determining the route of the complaint and who will need to be involved.
- 3.2 Complaints can be submitted in writing, by telephone, by email and through MyAccount. If the customer presents as vulnerable, for whatever reason, they will be supported to make a complaint.
- 3.3 Statutory complaints relating to Adults are not administered by the Corporate Complaints Team and are investigated through a separate statutory procedure. Most of the complaints for Children's Services are also statutory complaints and are investigated by the service.

4. Impact of the pandemic

- 4.1 In March 2020, Covid-19 impacted local authority services nationwide resulting in more limited services being available to residents. Investigation of new complaints by the corporate complaints team was paused, until respective services returned to operational status. The complaints team's role refocussed on investigating complaints of a serious nature that would have caused harm to an individual during this paused period.
- 4.2 By July 2020, many services within the Council had started to operate again and the complaints function also resumed full operations. The pause between March and July resulted in fewer complaints being received throughout 2020/21.
- 4.3 It is worth noting that Housing focussed repairs resources on emergency repairs from March 2020, permitting the submission requests for a category 2 repairs from August 2020 and allowing bookings of repair requests from September 2020. The repairs programme resumed fully from Spring 2021.

5. Summary of complaints received during 2020/21

- 5.1 In 2020/21 the total number of complaints received was 671, compared to 1,328 in 2019/20, a reduction of almost half. This is believed to be largely due to the pandemic.
- 5.2 Of the complaints received, 422 (63%) were "triaged" to the appropriate service to respond as a *request for action* such as provide orange bags or a *service request* usually relating to service delivery.
- 5.3 This meant a total of 249 were investigated, compared to 365 the previous year (excluding *requests for action and service*); a reduction of 32%.

6. Outcomes of complaints

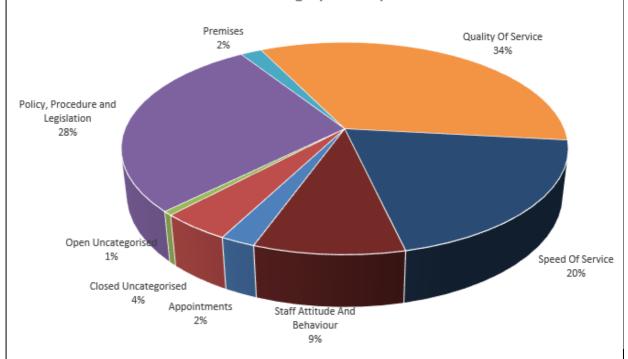
- 6.1 The team determined that of the 249 complaints independently investigated, 13% were justified, a further 20% were partially justified and 67% were deemed as "not justified" and therefore did not find the authority at fault.
- 6.2 The percentage of complaints found to be justified was equivalent to the previous year. The service remains confident that complaints that are found to be justified through this independent process are reflective of the service customers receive.

7. Reasons for complaints

7.1 Complaints are categorised by the main reasons for the complaint, within a limited list. We categorise each complaint over all the applicable areas that it relates to, therefore the numbers relating to the reason categorisation will *always* exceed the total number of complaints received. The categories are as follows:

- Appointment
- Policy, procedure, and legislation
- Premises any complaints relating to council leisure centres or premises
- Quality of service
- Speed of service
- · Staff attitude and behaviour
- Closed Uncategorised pending agreement with customer
- Open Uncategorised where the complaint is still open

Category of Complaints



7.2 There is no change to the top three categories of complaint:

1.	Quality of service	111	(34%),
2.	Policy, procedure and legislation	92	(28%).
3.	Speed of service	64	(20%)

- 7.3 The service areas which received the most complaints are shown in the table overleaf. Some key points are:
 - Of the top service areas to receive a complaint, 5 remain as in previous years.
 - Planning Service is new to the top 5.
 - Housing Services received 46% of all complaints, a decrease of 4% on 2019/20.
 - Revenues and Customer Support received 28% of all complaints, a 2% improvement on the previous year of 30% (taxation, housing benefit, customer services).
 - It is unsurprising these two services received the highest volume of complaints, as they interact with the greatest numbers of customers in demanding areas of council business, particularly during the pandemic.
 - The effects of the pandemic on the services available and complaints regarding those services must be considered; and the figures therefore should be viewed in this context.

20/21 rating	19/21 rating	Top service areas for complaints	Total	%
1	1	Housing repairs	46	19%
2	2	Local Taxation	41	17%
3	3	Housing (Other)	38	16%
4	4	Housing Options	22	9%
5	6	Planning Service	17	7%
6	5	Housing Benefits	15	6%
7	8	Waste Management*	12	5%
8	8	Customer Services	11	5%
9	7	Street Scene Enforcement	8	3%
	N/A	Children's and Family Services	6	3%
10	15	Highways	4	2%
11	7	Traffic Management	4	2%
12	7	Parks & Green Spaces	4	2%
13	8	Income Management	4	2%

7.4 BIFFA and waste collection

NB * It should be noted Waste complaints are handled slightly differently. Our contractor, Biffa, handle issues reported outside the corporate complaints team. Biffa has a complaints co-ordinator who handled 1,775 issues for 2020/21, of which 1,364 (77%) were deemed to be cases where Biffa was at fault. This solution to manage complaints does not separate a service or action from a complaint of service.

Biffa complaint category	Total reported issues	At fault	Not at fault
Bin Delivery	85	19	66
Black Bags Delivery	8	6	2
Request			
Bulk Collection	462	292	170
Collection Staff	319	243	76
H W R C and Bring Banks	14	9	5
Missed Collection	195	152	43
Missed Garden Waste	30	24	6
Collection			
Non-Return of Container	2	2	
Non-Return Of Container	28	26	2
Orange Bags Not Delivered	611	588	23
Other	21	3	18
Total	1,775	1,364	411

This number of issues raised with Biffa to investigate should be seen in the context of Biffa carrying out roughly 14 million waste collections from our residents a year.

Waste Management are working to improve the customer complaints journey for waste customers, change the reporting requirements to mirror the complaints policy; recording issues as a service request or service action and differentiating these from a complaint. This will mean the service receives meaningful issue statistics and the reporting of complaints for this service area is improved.

8. Complaint analysis

- 8.1 There has been a significant reduction in the overall number of complaints received over the past year due to the period the provision was paused, although complaint reporting for the remainder of the year was lower. Possible reasons for this include but are not limited to: -
 - Covid-19 and the 'pause' on investigating complaints between April July 2020.
 - Housing Repairs services providing limited services through 2020/21, resulting in far less complaints overall.
 - Service improvements have driven down complaints, such as:
 - Housing benefit decision making remains timely.
 - Open Revenues Portal allows customers to transact and report change of circumstances online, speeding up decision making.
 - Services are being proactive and adhering to the triage/complaint prevention process to prevent a 'complaint' being officially logged.
 - The on-line triage for reasons why a customer seeks redress has been improved – for example, when a customer complains about a decision, we now signpost them to the appropriate website.
 - The complaint on-line submission journey may deter customers.
- 8.2 Work is underway on improving the corporate complaint customer journey with the Digital Transformation team. This involves reviewing the MyAccount customer journey and suggesting an improved experience, as well as improving the management information provided. The project is due to conclude in April 2022.

9. Lessons Learned

- 9.1 The last two years of the pandemic have been a challenge to all services within the Council. Working with other services to understand their processes, we have continued to learn what triggers complaints and where changes can be made to make a difference in our divisions. These include:
 - Recommendations for service improvements arising from complaint investigations: a review of policies, change to practices, training staff, better communication between teams and with the customer, improved record keeping, system changes and raising awareness of issues.
 - Being proactive to tackle personal injustice: typically, the customer wants to be listened to, offered an apology and an opportunity to appeal or request a review of their case. These represent opportunities to mitigate a complaint, usually over the phone.
 - Being proactive in understanding how customers want to be contacted and how we wish for them to interact with our services, through an 'end to end' approach.

10. Going Forward

- 10.1 Actions which continue to make a difference to delivery without compromising the benefits of complaints (some of which are carried forward from last financial year) are:
- 10.2 Continuous complaints prevention activity to be introduced to remaining services/divisions. As part of the triage process some comments/complaints can be resolved via a quick phone call or email to agree a local level resolution. The complaints officers have introduced this with all service areas; the process has proved to be working efficiently in terms of complaints resolution with anecdotal feedback from the customers at the time of the triage indicating a good level of customer satisfaction. This activity has resulted in a reduction in complaints within the services.

<u>Continue with Service Improvement meetings</u> with the services that receive the largest proportion of complaints. This is an ongoing development to improve complaint handling and deliver meaningful customer focussed service improvements.

- 10.3 <u>Corporate Complaints Policy</u>. A yearly review of this policy is planned, to ensure the definition reflects the appropriate action to remedy a complaint.
- 10.4 The Service Improvement Manager reviews the <u>categorisation of complaints</u> to improve analysis. This is a major project in conjunction with the customer journey to improve complaints submission, as well as back office reporting with the aim of mirroring the Ombudsman recording and reporting categorisation.
- 10.5 To use <u>customer experience feedback</u> to analyse the issue(s) and to inform improvements in services.

11. Corporate Complaints Team Risks

- 11.1 Corporate complaints handling continues to deliver the original aims of reducing complaints and delivering service improvements. The operational risks remain around complaint volumes should they begin to rise through an unforeseen circumstance, or because of staffing resources in what is a small team.
- 11.2 In July 2020, the Housing Ombudsman published a new Complaints Handling Code, setting out new guidance and recommendations to be adopted the following year. The code has required us to introduce a new two-stage complaints process superseding the existing single-stage process for complaints which fall under the Housing Ombudsman's remit (the council as a social housing landlord). The two-stage process for Housing related complaints went live in April 2021 and the revised Corporate Complaints policy was published. This change has already had an impact, increasing the number of complaints. Currently the team resources are coping due to the reduced volume of complaints made to other services.
- 11.3 Vexatious complainants are a drain on resources for the Service Improvement Manager who acts a single point of contact once the service has demonstrated the complainant is acting in a vexatious manner. These cases usually impact across multiple service areas attempting to resolve the complaints. This customer behaviour continues due to human nature. The introduction of written procedures has provided clarity for services, a process to follow for administrative arrangements and a clear pathway for customers to achieve a remedy should they choose to engage.

12. Financial, legal and other implications

12.1 Financial implications

12.1.1 There are no financial implications arising directly from this report, although an effective complaints function will tend to minimise costs such as responding to external investigations and meeting any compensation awards.

Colin Sharpe, Deputy Director of Finance, ext. 37 4081

12.2 Legal implications

12.2.1 There are no legal implications arising out of the recommendations of this report.

Emma Jackman, Head of Law (Commercial, Property & Planning) ext. 37 1426

12.3 Climate Change and Carbon Reduction implications

12.3.1 There are no significant climate change implications associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

12.4 Equalities Implications

- 12.4.1 Under the Equality Act 2010, public authorities have a Public Sector Equality Duty (PSED) which means that, in carrying out their functions, they have a statutory duty to pay due regard to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity between people who share a protected characteristic and those who don't and to foster good relations between people who share a protected characteristic and those who don't.
- 12.4.2 Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.
- 12.4.3 The Equality Act 2010 also requires that reasonable adjustments be made so that disabled people can access services as far as reasonable on the same terms as non-disabled people. This duty is on-going and anticipatory and, therefore, reasonable and proportionate steps to overcome barriers which may impede people with different kinds of disabilities. In making reasonable adjustments, a service provider should not wait until a disabled person wants to use their services, they must think in advance about what people with a range of impairments might reasonably need.
- 12.4.4 There are no direct equalities implications arising from the report as the report is to provide an update, rather than for decision. Having an effective complaint procedure helps to deal with complaints quickly, fairly and consistently. Having a range of contact options for complainants to make their complaints to the council aims to meet the needs of its service users in accessing the procedure.

It provides an opportunity to gather valuable customer insight, it also has the potential to help make improvements that lead to increased customer satisfaction for service users from across all protected characteristics.

Surinder Singh, Equalities Officer Tel 37 4148

13. Other Implications

N/A

14. Summary of appendices:

None.

Local Government & Social Care Ombudsman and Housing Ombudsman Complaints 2020-21

Audit and Risk Committee: 16 March 2022

Lead director: Colin Sharpe, Deputy Director of Finance

Useful information

■ Ward(s) affected: All

■ Report author: Nilkesh Patel (Service Improvement Manager)

■ Author contact details: (0116) 454 2505

■ Report version number: V1 (003)

1. Purpose of the report

1.1. To provide an update on the complaints made to the Local Government and Social Care Ombudsman (LGSCO) and the Housing Ombudsman in 2020-21 regarding Leicester City Council.

2. Recommendations:

- 2.1. Members are asked to:
- a) Note and comment upon the report observations, including the comparisons and improvements within the administration of complaint handling.
- b) Comment upon our actions for future change.

3. LGSCO annual complaints 2020-21

- 3.1. The LGSCO looks at complaints about most council services, including but not limited to adult social care, education and housing allocations. This is different to the Housing Ombudsman that manages complaints in relation to housing tenancy management, our role as a social landlord.
- 3.2. The LGSCO 2020-21 annual report outlines key statistics and themes happening nationally about the complaints made to the Ombudsman.
- 3.3. From March 2020 to July 2020, the LGSCO paused receipt of new complaints and investigation of existing cases because of the pandemic. This resulted in fewer complaints being made to the Ombudsman over the year and the outcomes of Leicester's investigations should be considered in this context.
- 3.4. The Ombudsman reports a total 68 complaints received during 2020-21 against Leicester City Council, with decisions made in 75 cases (investigations from previous years roll into the following year). This would compare favourably with the previous year's where 112 complaints were made, had the pause not been in place for 3 months of 2020-21.
- 3.5. The Ombudsman categorises service areas slightly differently to Leicester City Council's corporate complaints process. For example, benefits and tax is one area within the Ombudsman reporting arrangements whereas at Leicester, housing benefit and council tax are distinct reporting areas. Complaints relating to school

- admissions appeals are categorised as legal challenge at the Council and administered by Legal Services.
- 3.6. In addition, the Ombudsman's method of calculation produces inconsistencies, as cases received during a financial year, but not investigated within that year, are treated differently in different reports. It is not possible to reconcile these discrepancies with the data available.
- 3.7. The table below shows the national compared to the local picture:

LG	LGSC Ombudsman complaints investigated 2020/21			
Report themes	National 2020/21	National 2019/20	Leicester City Council 2020/21	Leicester City Council 2019/20
Complaints upheld rate	67%	61%	72%**	61%
Highest proportion of upheld complaints	Education and Children's Services 77%	Education and Children's Services 72%	Adult Care Services 50%	Public Protection & Regulation 33.3%
Councils are putting things right more often. *	10%	13%	8%	40.1%
Number of service improvements recommended	+ 2%	+12%	- 5%	+ 4.1%
Compliance with LGO recommendations	99%	99%	100%	100%

^{*} Of upheld cases already offered a suitable remedy.

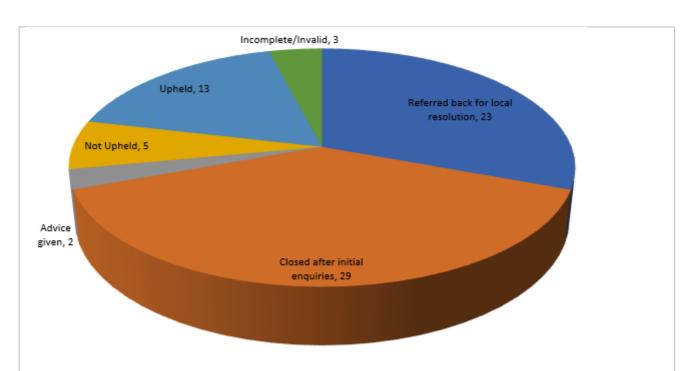
3.8. A further difference between the procedures includes how the decision outcomes of the complaints investigated are recorded. The table below compares the different recorded outcomes.

Leicester City Council's outcomes	Ombudsman outcomes
Justified	Upheld
Partially Justified	Upheld
Not Justified	Not Upheld
Rejected	Closed / Rejected / Invalid / incomplete
Triaged (Service request)	Local Resolution/provided advice

^{**} please see section 4.3 for further clarification

4. Outcomes of the LGSCO complaints investigated for Leicester

- 4.1. The Ombudsman uses a twofold test to identify (i) maladministration i.e. fault, coupled with (ii) injustice. Where a fault is established, the Ombudsman provides a public report which details statutory duties the council must undertake. These include publishing a notice in a newspaper, make copies of the report available to public, bringing the report to the attention of elected members and to report back to the LGSCO within 3 months on actions taken.
- 4.2. Of the 75 complaints where decisions were recorded by the Ombudsman, the following outcomes where recorded:
- 4.3. The LGCSO progressed 18 of the 75 complaints to investigation stage. Of these, 13 (17% of the total) were upheld. The LGSCO's published 'uphold rate' is therefore 72% (13 out of 18), an increase of 9% on the previous year's 61%. This is largely due to the circumstances of the complaints, which were deemed sufficient to merit proceeding to the investigation stage, resulting in greater scrutiny. Even though complaints to the Ombudsman fell, there is no direct consequential expectation the uphold rate would fall too.
- 4.4. No fault was found in 5 cases (7%) and the complaint was not upheld.
- 4.5. The Ombudsman referred 23 (31%) of cases to the council for the local resolution. In these cases, the Ombudsman did not investigate the complaint, identifying it should be dealt with by the council, giving us the opportunity to re-visit the complaint and offer a remedy.
- 4.6. The initial enquiry was closed in 29 (39%) cases. No investigation was undertaken as the complainant has not exhausted the council's complaint policy/process before asking the Ombudsman to investigate.
- 4.7. An outcome of rejected as incomplete or invalid was found in 3 (4%) cases. Outcomes of this nature are usually where the complaint is not under the jurisdiction of the LGSCO.
- 4.8. Advice was given for 2 (2%) cases.
- 4.9. In addition, in 1 of the upheld cases, the Ombudsman found the council had provided a satisfactory remedy before the complaint reached the Ombudsman. This one case is 8% and compares to an average of 10% in similar authorities.
- 4.10 The pie chart below summarises the outcomes of the LGSCO complaints for Leicester.



Further charts and detail of the findings and outcomes from the report can be found in the appendices.

5. Upheld Cases

- 5.1. Where a case is upheld, remedies are identified. These can be changes to a council policy, an offer of compensation or simply a formal apology. Of the 13 upheld complaints, the Ombudsman made recommendations to the council to offer a remedy to the complainant in 7 instances.
- 5.2. Leicester City Council accepted and complied with the remedies suggested in all cases. Therefore, Leicester's compliance rate remains 100%, compared to the national figure of 99%.
- 5.3. However, we failed to comply with the 3-month timescale set by the Ombudsman in two cases. One related to obtaining older paperwork, which delayed the service's response time. The second case related to adaptations to a property to include a wet room, which could not be undertaken due to Covid-19 and restrictions on entering properties. The LGSCO acknowledged this remedy would be difficult to undertake with the pandemic.
- 5.4. The table in appendix 5 shows where a service area was instructed to apply a remedy and which category of remedy was applied.
- 5.5. On the advice, recommendation, and feedback from the Ombudsman, a number of detailed service improvements were made. These are set out in Appendix 7. All service improvements have been implemented and shown to be embedded in working practices within services.

6. Comparisons

- 6.1. Nationally, of those upper quartile authorities where a similar number of complaints were investigated, the average upheld rate is 73% which is close to Leicester City of 72%. It is disappointing to report Leicester's upheld outcome rate of 72% compares less favourably to the previous year (61%), and it is to be noted that fewer complaints were made. Comparable data is limited as the national picture includes some authorities with 100% uphold rate, having received only one or two complaints to the LGCSO.
- 6.2. The overall picture at Leicester is comparable to the national average. Of the LGSCO comparators, Leicester received the 2nd highest number of complaints (68) and 75 decisions, with Bristol receiving 98 complaints and decisions made on 95 investigations. The other East Midlands authorities, together with Bristol (which is our nearest comparator by population), reported an average upheld rate of 69% of claims compared to Leicester's 72%, with the national average picture reporting 67%.
- 6.3. Appendix 6 details this information in a table format including the East Midlands data.

7. Housing Ombudsman

- 7.1 The Housing Ombudsman investigates complaints about the provision or management of social housing, i.e. the Council as a social housing landlord.
- 7.2 Unlike the LGSCO, the Housing Ombudsman does not produce an annual letter to each council, nor publish national or local comparators.
- 7.3 Based on our own internal records, 16 complaints were received by the Ombudsman. Of these, four were upheld, three were not upheld and nine were not investigated. The complaints related to tenancy management and repairs.
- 7.4 The actions from the four upheld complaints included compensation to the tenants of up to £400, ensuring repairs were completed, and staff training.

8. Future changes

- 8.1. The following actions are agreed as objectives for services to continue to improve outcomes for residents following complaints made to the council. The Complaints Team will continue to act as an independent, impartial body, administrating complaints, acting on behalf of the complainant to resolve issue(s) relating to council services.
 - **Continuously Review** policy and procedures. The team will ensure council services continue to analyse complaints and recommendations they receive from the Ombudsman, supporting continued positive service improvement.
 - **Monitor**. The role of the complaints team is to monitor that the service implements the recommendation(s), agreeing the activity and actions and timeframe, together with monitoring. Interventions happen at the point the recommendation is made, with an interim meeting/confirmation to ensure implementation and finally at the point of conclusion, usually within 3 months of the recommendation being made.
 - Service responsibility. The service area is responsible for implementation. In addition, there is an expectation the service will analyse the suggested improvement and the impact this has upon service delivery, customer and stakeholder outcomes, to ensure these have been improved. Thus, a similar complaint will have been mitigated.
 - Remedies. These need to be proportionate, appropriate and reasonable. Similar remedies are appropriate for similar cases, but services must consider each case on its merits. The key principle is that the remedy should as fair as possible, putting the complainant back in the position as if the issue had not occurred.
 - Adverse decisions. The complaints team will monitor whether repeat complaints are made of a similar nature.
 - Reporting. New reporting arrangements are in development to ensure the
 corporate complaints team can link previous recommendations when
 investigating a new complaint. Plans are in place for improved consistency of
 reporting through aligning Leicester's policy outcomes to mirror the reporting of
 the LGSCO from April 2022.

9. Financial, legal, equalities, climate emergency and other implications

9.1 Financial implications

Effective management of complaints and learning from the outcomes helps to reduce staff time taken upon investigating and responding, and also reduces the cost of financial remedies.

Colin Sharpe, Deputy Director of Finance, ext. 37 4081

9.2 Legal implications

It is important to understand that the LGSCO publishes all "decisions" on their website, and this includes details of cases (suitably anonymised) whether they are upheld or rejected. However, in some cases, where they deem there to be a public interest in learning lessons from a complaint they will issue a "public interest report", which will oblige the Council to issue a press release about the findings, report the matter to Elected Members, and report back to the LGSCO on remedial action taken (30 – 31 Local Government Act 1974). https://www.lgo.org.uk/make-a-complaint/possible-outcomes

City Barrister & Head of Standards, Kamal Adatia, ext 37 1401

9.3 Equalities implications

When making decisions, the Council must comply with the Public Sector Equality Duty (PSED) (Equality Act 2010) by paying due regard, when carrying out their functions, to the need to eliminate unlawful discrimination, harassment, victimisation and any other conduct prohibited by the Act, to advance equality of opportunity and foster good relations between people who share a 'protected characteristic' and those who do not. In doing so, the council must consider the possible impact on those who are likely to be affected by the recommendation and their protected characteristics.

Protected Characteristics under the Equality Act 2010 are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex, sexual orientation.

Whilst there are no direct implications arising from this report, having an effective complaint procedure helps to deal with complaints quickly, fairly and consistently. It also has the potential to help make improvements that lead to increased customer satisfaction for service users from across all protected characteristics. Future changes identified in the report need to ensure equality considerations are embedded and put into practice as appropriate.

Equalities Officer, Surinder Singh, ext. 37 4148

9.4 Climate Emergency implications

There are no climate emergency implications associated with this report.

Aidan Davis, Sustainability Officer, Ext 37 2284

<u>9.5 Other implications (You will need to have considered other implications in preparing this report.</u> Please indicate which ones apply?)

None		

10. Background information and other papers:

LGO annual report Ombudsman annual review highlights widening cracks in council complaints systems - Local Government and Social Care Ombudsman

- 11. Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)? No
- 12. Is this a "key decision"? No
- 13. Summary of appendices:

All appendices relate to the LGSCO

Appendix 1	Annual review letter 2021
Appendix 2	Complaint outcomes by service area compared to 2019/20
Appendix 3	Complaints received and decided by service area
Appendix 4	Ombudsman decisions by service area
Appendix 5	Remedies directed by the Ombudsman
Appendix 6	Ombudsman decisions for comparator councils
Appendix 7	Service improvements following Ombudsman findings

Appendix 1 – Leicester City Council annual review letter 2021



21 July 2021

Bv email

Mr Keeling Chief Operating Officer Leicester City Council

Dear Mr Keeling

Annual Review letter 2021

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

Complaint statistics

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, <u>Your council's performance</u>, along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

Supporting complaint and service improvement

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

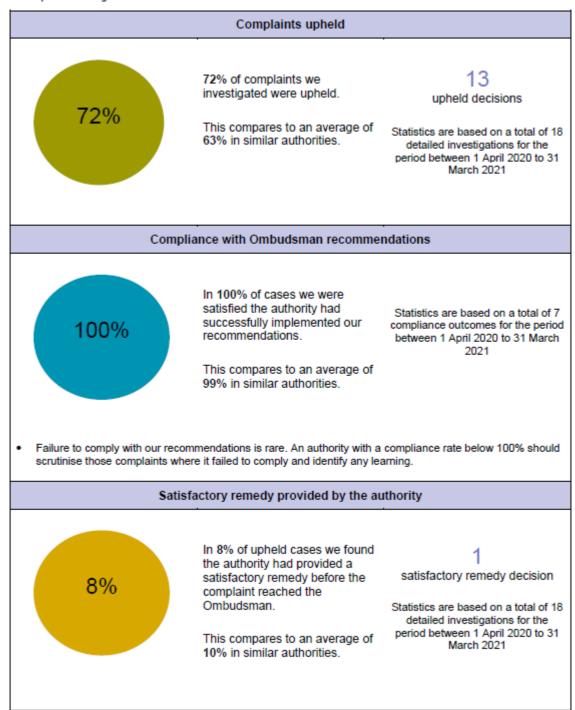
With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit www.lgo.org.uk/training.

Yours sincerely,

Michael King

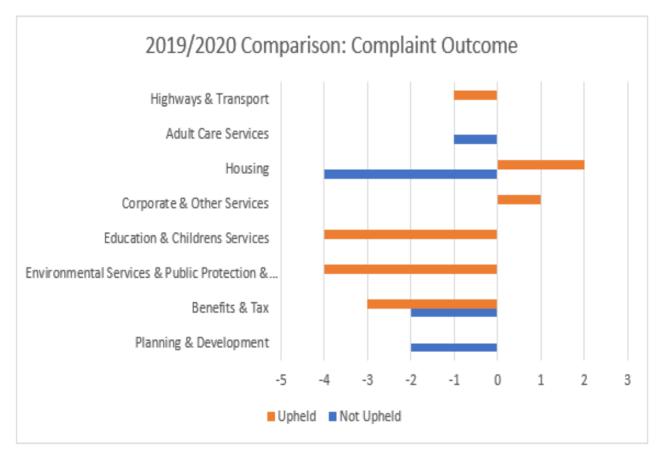
Local Government and Social Care Ombudsman Chair, Commission for Local Administration in England



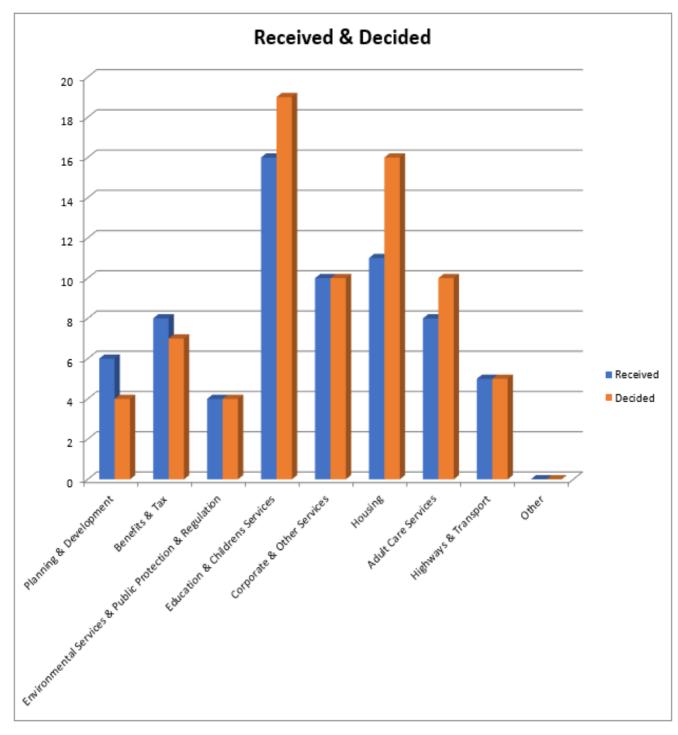
NOTE: To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

Appendix 2:

The chart below shows the increases or decreases in investigated LGSCO complaint outcomes per service area, compared to 2019:

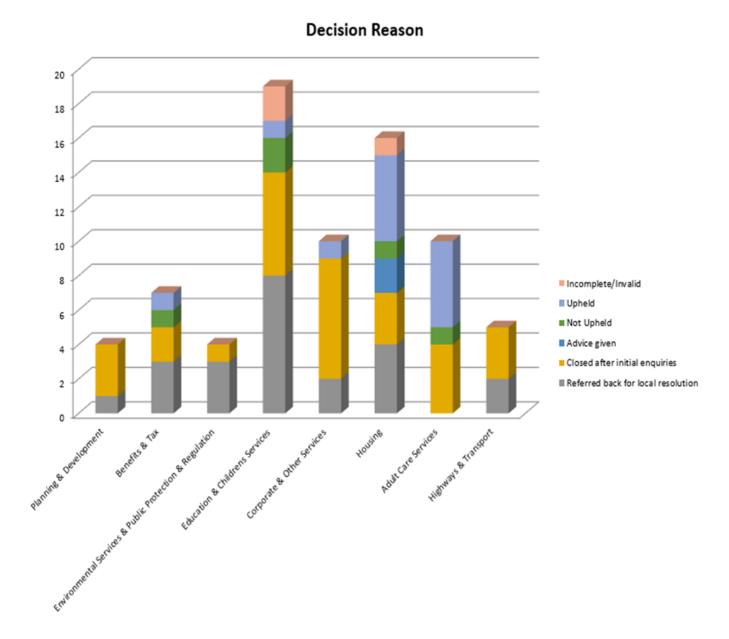


Appendix 3:The chart below shows the LGSCO complaints received and decided per service area.



Appendix 4:

The graph below shows the LGSCO decisions made by service areas (as defined by the Ombudsman).



Appendix 5: This table details the service area where the LGSCO has found fault identifies the remedy which must be applied and identify where the remedy has been completed and confirms the LGSCO satisfied with our compliance.

Category	Remedy Financial redress	Remedy Apology	Remedy Training and guidance	Remedy Avoidable distress/time and trouble	Remedy Loss of service, Quantifiable loss	Remedy Procedure or policy change /review	Remedy other	Satisfaction with Compliance
Adult Care Services	√	√	√	√			√	Remedy complete and satisfied
Adult Care Services	✓	√		✓			√	Remedy complete and satisfied
Adult Care Services		√						Remedy complete and satisfied
Benefits & Tax						✓	√	Remedy complete and satisfied
Corporate & Other Services		✓				✓		Remedy complete and satisfied
Housing	√	√	√	√		√		Remedy complete and satisfied

Appendix 6:

The tables below show the complaints and enquiries decided and remedy outcomes for the East Midlands cities and Bristol City Council, the nearest non-metropolitan district to Leicester, by population size:

Decisions Made								
	Incomplete or Invalid	Advice Given	Local Resolution	Closed After Initial Enquiries	Not Upheld	Upheld	Uphold Rate	Total
Leicester	3	2	23	29	5	13	72%	75
Nottingham	2	5	13	16	4	3	43%	43
Derby	0	0	8	13	3	9	75%	33
Coventry	3	2	31	17	3	10	77%	66
Bristol	9	7	22	34	4	19	83%	95

Satisfactory remedy provided by the authority before the complaint reached the Ombudsman						
	Upheld Cases % of Upheld Cases					
Leicester	13	8%				
Nottingham	3	0%				
Derby	9	22%				
Coventry	10	10%				
Bristol	19	16%				

Compliance with Ombudsman recommendations						
	Compliance on time	Compliance late	Non-compliance			
Leicester	7	0	0			
Nottingham	4	0	0			
Derby	7	0	0			
Coventry	10	0	0			
Bristol	21	0	0			

Appendix 7:

On the advice, recommendation, and feedback from the Ombudsman, the following service improvements were made:

- The council will review its approach to record-keeping both in terms of its actions when dealing with complaints of untidy land and in its complaint handling. It will tell the Ombudsman of the outcome (corporate and other services)
- Complete training for staff as to the right to adaptations for occupiers where there
 is a risk of falling at home. (care services)
- The council will improve record keeping when it grants time extensions and correct potential inconsistencies on how it applies its housing policy. (Housing services)
- The council should review its guidance for officers concerning disabled facilities grant applications. This should include the importance of confirming any changes to a disabled facilities grant application in writing to applicants. (Housing)
- The council should consider a checklist or guidance for homeowners to encourage them to consider the implications and capability of any proposed works on other aspects of the property. (Housing)
- The council has agreed to remind relevant staff that personal housing plans must be kept under review when there is a change in duty. (Housing)
- The council agreed to remind relevant staff of the need to consider the suitability of interim accommodation and keep records of decisions about suitability. (Housing)
- The council has agreed to remind staff of the importance of keeping accurate records and issuing correct and relevant decision letters promptly. (Housing).
- The council has agreed to remind relevant staff of the legal requirement to be satisfied that an applicant is eligible before accepting any homelessness duty. (Housing)
- The council has agreed to ensure it completes all requests for statutory reviews of homeless decisions. (Housing)
- The council has agreed to remind relevant staff of the need to consider support needs as part of the homelessness assessment and personalised housing plan. (Housing)
- The council has agreed to remind relevant staff of the need to approach issues of domestic violence with sensitivity and care. The council should consider if staff need refresher training on this subject. (Housing)
- Update the council policy about council tax discretionary relief to include a person's right to appeal decision to the valuation tribunal. (Benefits and tax).



Leicester City Council Audit & Risk Committee 16 March 2022

Progress against Internal Audit Plans

Report of Leicestershire County Council's Head of Internal Audit & Assurance Service

Purpose of Report

- 1. The purpose of this report is to provide:
 - a. a summary of progress against the 2020-21 & 2021-22 Internal Audit Plans
 - b. information on resources used to progress the plans
 - c. commentary on the progress and resources used
 - d. summary information on high importance recommendations and progress with implementing them
 - e. information on compiling the 2022-23 Internal Audit Plan

Recommendation

2. That the contents of the routine update report be noted.

Background

- 3. Within its Terms of Reference (revised March 2021) the Audit & Risk Committee (the Committee) has a duty to receive regular reports on progress against the internal audit plan, containing activity undertaken, summaries of key findings, issues of concern and action in hand.
- 4. Most planned audits undertaken are 'assurance' type, which requires undertaking an objective examination of evidence to reach an independent opinion on whether risk is being mitigated. For these audits an assurance level is given as to whether material risks are being managed. There are four levels: full; substantial; partial; and little. 'Partial' ratings are normally given when the auditor has reported at least one high importance recommendation, which would be reported to this Committee and a follow up audit would ensue to confirm action had been implemented. Occasionally, the auditor might report several recommendations that individually are not graded high importance but collectively would require a targeted follow up to ensure improvements have been made.

- 5. Other planned audits are 'consulting' type, which are primarily advisory and guidance to management. These add value, for example, by commenting on the effectiveness of controls designed before implementing a new system.
- 6. Grants and other returns are audited, but because these are specific or focused reviews of certain aspects of a process in these cases it is not appropriate to give an assurance level. When they are completed, 'certified' is recorded.
- 7. Follow up audits relating to testing whether recommendations have been implemented from previous years' audits are undertaken. With this type, assurance levels aren't given because not all of the system is being tested. However, the Head of Internal Audit Service (HoIAS) forms a view on whether the situation has improved since the original audit and that is listed.

Summary of progress at 31st January 2022

8. **Appendix 1** reports on the position at 31st January 2022. Updates (i.e. closures, movements in status, new starts and postponements) are shown in **bold font**. The summary position (with comparison to the previous position at 28th October 2021) is:

	2020/21 @28/10/21	2020/21 @31/01/22	2021/22 @28/10/21	2021/22 @31/01/22
Outcomes				
High(er) Assurance levels	16	17	0	2
Low(er) Assurance levels	2	2	0	1
Advisory	3	3	2	2
Grants/other certifications	24	24	14	21 ¹
HI follow ups – completed	3	5	0	0
Audits finalised	48	51	16	26
HI follow ups – in	5	3	0	1
progress				
In progress	9	7	27	30
Not yet started	0	0	26	10
Postponed/Rescheduled/ Cancelled	23	23	5	16

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¹ 7 Grants were signed off during this period; multiple grants were signed off in 3 cases, in total 15 grants were actually signed off during this period.

Summary of resources used as at 31January 2022

9. To close off 2020-21 audits, progress 2021-22 audits (reported in Appendix 1), and provide additional work relating to requirements such as planning, reporting to Committees etc, at 31 January 2022, Leicester City Council had received 476 days of internal audit input delivered (see below table).

	@31/01/22	@ 31/01/2022
By type	Days	%
Relating to prior years audits (*)	85	18
Relating to audits started 2021-22	321	68
Sub-total audits	406	86
Client management	70	14
Total	476	100
By position		
HoIAS	22	5
Audit Manager	101	21
Audit Senior (incl. ICT)	113	24
Audit Other	240	50
Total	476	100

^(*) These days were utilised either concluding previous years audits or following up on the progress made with implementing audit recommendations where low assurance levels had been reported.

Commentary on progress and resources used

10. Following the previous report to Committee (24 November 2021) there was the Christmas break, during which period some staff (both provider and client) took extended leave which impacted on audit coverage. It's been a further challenging year for all; however the Internal Audit Service (IAS) has continued to deliver audits, particularly ensuring grant audits were completed by the due deadlines. The last period has seen a significant number of grant audits completed, a large number of these relating to COVID grants. The school governance audit was started after some initial delay, this includes eight 'mini' audits and coverage includes single central records, school websites and business continuity (the full list is in Appendix 1). Like all audits, the school governance audits are being undertaken remotely, whilst being mindful and sensitive to the pressures faced by schools; on the whole the auditors have found the schools to have been cooperative and progress is being made.

The ongoing COVID situation has continued to produce pressures in City services, which has resulted in requests for some audits to be delayed and in some cases being postponed; a number of grant audits have also been postponed to next financial year as deadlines have been extended by the funding body.

Over the winter months the IAS unfortunately suffered some unplanned COVID related and other illnesses of staff that had provisionally been assigned to designated City audits. These totalled 65 days and whilst some backfill was arranged, the absences did impact the progression of some audits. Thankfully all staff are recovered and are back to working full time.

Unusually (but not uncommon currently), three experienced staff unexpectedly left the IAS between the end of August and December and finding good agency to replace them was difficult. Nevertheless, in early December, a full time Senior Auditor was appointed and in January an experienced agency worker began. Interviews for further Senior Auditors have been undertaken and offers have been made with one staff starting on 1st March. Additionally, an apprentice post is due to be advertised and the IAS is exploring utilising undergraduates to undertake data analytics work.

This combination of factors (delays, postponements, absences, leavers and recruitments) has meant that the days delivered is light at this point in the financial year. The HoIAS has reviewed time incurred since the end of January and what remains available and is forecasting around 650 days will be provided by the end of March, which is slightly above the previous year, but below the planned 750-800 days, so some compensation on fees paid will be agreed.

Attaining the forecast 650 days will be reliant on no further unforeseen events and absences, full commitment from City staff and their management, and continuing support from the Council's client officers to help progress audits. This should ensure there is sufficient audit coverage by the year end to enable the HoIAS to as a minimum form a 'reasonable assurance' opinion that the Council's control environment has remained adequate and effective over the financial year. As with the previous two years affected by COVID, the HoIAS has already begun to gather evidence from Senior Officers that assists in forming his opinion.

Progress with implementing high importance recommendations

- 11. The Committee is also tasked with monitoring the implementation of high importance (HI) recommendations which primarily lead to low assurance levels. **Appendix 2** provides a short summary of the issues and the associated recommendations. The relevant manager's agreement (or otherwise) to implementing the recommendation(s) and the implementation timescale is also shown. Recommendations that have not been reported to the Committee before or where some update has occurred to a previously reported recommendation are shown in **bold font.** Entries remain on the list until the HoIAS has confirmed (by gaining evidence or even specific re-testing by an auditor) that action has been implemented.
- 12. As part of the process of determining his annual opinion, the HoIAS takes account of how management responds to implementing high importance recommendations. Responses are generally positive and there is recognition (especially with covid disruptions) that some recommendations do require more time to fully implement.

- 13. To summarise movements within Appendix 2 as at 18 February 2022:
 - a. New Eyres Monsell Primary School
 - b. Ongoing/extended GDPR; Financial Management & School Governance - LA Scheme for the Financing of Schools; Social Value within Procurement
 - c. Closed Financial Management & School Governance SEND funding (part) Government Procurement Card (GPC).

Compiling the 2022-23 Internal Audit Plan

- 14. The HolAS has taken the same approach to researching and compiling the internal audit plan for the forthcoming year. This has included:
 - a) Consulting on emerging risks, planned changes and potential issues with the statutory and other senior officers.
 - b) Evaluation of wider governance arrangements e.g. the most up to date risk registers, plans and committee reports
 - c) 'Horizon scanning' new and emerging risks from professional and industry sources
 - d) Comparisons against similar councils' audit plans
- 15. A draft plan has been produced and provisionally discussed with the Deputy Director of Finance, but some clarifications are required before it is presented to the Corporate Management Team for review and approval.
- 16. The Internal Audit Plan for 2022-23 will be presented to the Committee at its next meeting

Financial Implications:

17. None

Legal Implications:

18. None.

Equal Opportunities Implications

19. There are no discernible equal opportunities implications resulting from the audits listed.

Climate Emergency Implications:

20. None

<u>Is this a private report (If so, please indicate the reasons and state why it is not in the public interest to be dealt with publicly)?</u>

21. No.

Is this a "key decision"? If so, why?

22. No.

Background Papers

The Constitution of Leicester City Council
Accounts and Audit Regulations (Amendment) 2015
The Public Sector Internal Audit Standards (revised from April 2017)
The Internal Audit Plans 2020-21 and 2021-22

Officer to Contact

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Appendices

Appendix 1 - Summary of Internal Audit Service work undertaken between

28th October 2021- 31st January 2022

Appendix 2 - High Importance Recommendations as at 18th February

2022.

Appendix 1: Summary of Internal Audit Progress Report as at 31st January 2022

Appendix 1: Leicester City Council 2021-22 Audit Plan (includes 2020-21 b/fwd) - Finalised as at 31st January 2022

Audit Plan Y	r Plan State	Client Title	Audit Plan Area Names	Audit Title	Assurance Level
2019-20	Planned	Leicester City Council	Grant Certification	Regional Growth Fund - RGF 3	Certified
2019-20	Planned	Leicester City Council	Compliance Audit	Planning Enforcement	Substantial Assurance
2020-21	Planned	Leicester City Council	IT & Governance	BACs & DD	Substantial Assurance
2020-21	Planned	Leicester City Council	Contract & Procurement	Contract Audit - Highways Contract	Substantial Assurance
2020-21	Planned	Leicester City Council	Systems	Early Years	Substantial Assurance
2020-21	Added to Plan	Leicester City Council	Grant Certifications	COVID 19: Additional Dedicated Home to School & College Transport - Tranche 2	Certified
2021-22	Planned	Leicester City Council	Schools	Schools Financial Audits - Eyres Monsell	Partial Assurance
2021-22	Planned	Leicester City Council	Governance	Risk Management	Substantial Assurance
2021-22	Planned	Leicester City Council	Governance	LA involvement with Private Companies	Substantial Assurance
2021-22	Planned	Leicester City Council	Grant Certifications	LLEP - BEIS Growth Hub - Core	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	LLEP - BEIS Growth Hub – supplementary	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	LLEP - BEIS- EU transition funding	Certified
2021-22	Added to plan	Leicester City Council	Grant Certifications	Spinney Hill - Tailored Support Programme	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	National Productivity and Investment Fund	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	Leaseholder Accounts	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	DfT Block Funding Capital Grant - Integrated Transport Highway Maintenance (No: 31/5036)	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	DfT Block Funding Capital Grant - Highways Maintenance Challenge Fund and Pothole & Challenge Fund(No: 31/5072)	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	Supporting Families (Previously referred to as Troubled Families) - Claim ${\bf 1}$	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	Adriatic Land 7 Limited Service Charges	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	Supporting Families (Previously referred to as Troubled Families) - Claim 2	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	Bus Services Operators Grant (BSOG)	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	Green Homes Grant - Phase 1a	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	Disabled Facilities Capital Grant	Certified
2021-22	Added to plan	Leicester City Council	IT & Systems	MOT Booking Systems (Advisory)	Completed
2021-22	Added to plan	Leicester City Council	Systems & Governance	Stock Order Process (Advisory)	Completed
2020-21 &	Added to Plan	Leicester City Council	Grant Certifications	COVID 19: CBSSG (Restart - Tranche2/3/4/5)	Certified
2021-22		-		·	
2020-21 & 2021-22	Added to Plan	Leicester City Council	Grant Certifications	Additional Dedicated Home to School & College Transport (Tranche 3/4/5/6/7)	Certified

Audit Plan \	r Plan State	Client Title	Audit Plan Area Names	Audit Title	Assurance Level
2021-22	Planned	Leicester City Council	Grant Certifications	COVID 19 - Grants - Business Restart Grant	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	LLEP - Peer Network Funding	Certified
2021-22	Added to Plan	Leicester City Council	Grant Certifications	COVID 19: CBSSG (Restart - Tranche 6/7/8)	Certified

2021-22	Planned	Leicester City Council	Grant Certifications	Supporting Families (Previously referred to as Troubled Families) - Claim 3	Certified
2021-22	Planned	Leicester City Council	Grant Certifications	School Centred Initial Teacher Training (SCITT)	Certified

Leicester City Council: 2021-22 Audit Plan (includes 2020-21 b/fwds) - Work in Progress - Status as at 31.01.2022

	r Plan State	Client Title	Audit Plan Area Names	Audit Title	Current Milestone
2020-21	Planned	Leicester City Council	Systems	Disabled Facilities System Review	Draft Report
2020-21	Planned	Leicester City Council	Contract & Procurement	Contract Audit - Housing	Work in Progress
2020-21	Planned	Leicester City Council	Contract & Governance	Construction contracts	Work in Progress
2020-21	Planned	Leicester City Council	IT & Information Assurances	Data analytics	Work in Progress
020-21	Planned	Leicester City Council	IT & Governance	Digital Transformation	Work in Progress
2020-21	Planned	Leicester City Council	Governance & risk management	Climate change and carbon emissions	Work in Progress
2020-21	Planned	Leicester City Council	IT & Information Assurances	IT Audits - Key ICT controls	Work In Progress
2021-22	Planned	Leicester City Council	Systems & Governance	Housing Stores	Work in Progress
2021-22	Planned	Leicester City Council	Systems	B&B Emergency Planning (Phase 2)	Work in Progress
2021-22	Planned	Leicester City Council	Governance	Governance changes	Work in Progress
2021-22	Planned	Leicester City Council	Systems & Governance	Finance Roles & Responsibility	Work In Progress
2021-22	Planned	Leicester City Council	Governance	Contract Audit - Supply chain management	Work In Progress
2021-22	Planned	Leicester City Council	Significant Financial Systems	Major Financial Systems(MFS) Audit - Council Tax/NNDR	Work In Progress
2021-22	Planned	Leicester City Council	Significant Financial Systems	Major Financial Systems(MFS) Audit - Payroll	Work In Progress
2021-22	Planned	Leicester City Council	Systems & Governance	Residential Financial Assessment	Work In Progress
2021-22	Added to Plan	Leicester City Council	Grant Certifications	Procurement: Publishing Obligations Under the Local Government	Work In Progress
2021-22	Planned	Leicester City Council	Schools	Schools Financial Audits - St Mary's Fields Primary	Work In Progress
2021-22	Planned	Leicester City Council	Governance	Contract Audit - Contract arrangements during the COVID 19 period	Work In Progress
2021-22	Planned	Leicester City Council	Contract & Governance	Taxi Contract	Work In Progress
021-22	Planned	Leicester City Council	IT & Information Assurances	Tracking database	Work In Progress
2021-22	Planned	Leicester City Council	Schools	Schools' Governance - Websites	Work in Progress
2021-22	Planned	Leicester City Council	Schools	Schools' Governance - Headteachers' Pay	Work in Progress
2021-22	Planned	Leicester City Council	Schools	Schools' Governance - Single Central Record	Work in Progress
2021-22	Planned	Leicester City Council	Schools	Schools' Governance - Business Continuity	Work in Progress
2021-22	Planned	Leicester City Council	Schools	Schools' Governance - Safe & Effective Recuitment	Work in Progress
021-22	Planned	Leicester City Council	Schools	Schools' Governance - Minbuses	Work in Progress
021-22	Planned	Leicester City Council	Systems & Governance	Direct Payments	Work in Progress
2021-22	Planned	Leicester City Council	IT & Information Assurances	Data analytics	Work in Progress
2021-22	Planned	Leicester City Council	Systems	Section 106 Agreements	Work In progress
2021-22	Planned	Leicester City Council	Systems & Governance	Health & Safety function	Work in Progress
2021-22	Planned	Leicester City Council	Systems & Governance	Homeworking arrangements	Work in Progress
021-22	Planned	Leicester City Council	Systems & Governance	Tax Digital	Planning
021-22	Planned	Leicester City Council	Risk Management	Fire risk in owned and occupied buildings	Planning
2021-22	Planned	Leicester City Council	Governance	Smoking Cessation	Planning
021-22	Planned	Leicester City Council	Schools	Schools' Governance - Safeguarding	Planning
021-22	Added to Plan	Leicester City Council	IT & Information Assurances	IT Audits: Systems Admin	Planning
eicester Ci	ty Council : 2021-22	Audit Plan (includes 2020-21	b/fwds) - Work in Progress - Status as at	31.01.2022	

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Audit Title	Current Milestone
2021-22	Planned	Leicester City Council	Schools	Schools Financial Audits	Planning
2021-22	Planned	Leicester City Council	Grant Certifications	Supporting Families (Previously referred to as Troubled Families) Claim 4	Not Started
2021-22	Planned	Leicester City Council	IT & Information Assurances	IT Audits: Unit 4 - Phase 2 (Q3/Q4) - payables/receivables	Not started
2021-22	Planned	Leicester City Council	Governance	Critical Incidence	Not started

2021-22	Planned	Leicester City Council	Systems	Climate change and carbon emissions	Not started
2021-22	Planned	Leicester City Council	Systems & Governance	Digital projects	Not started
2021-22	Planned	Leicester City Council	IT & Information Assurances	NHS Health Check	Not started
2021-22	Planned	Leicester City Council	Governance	LLEP	Not started
2021-22	Planned	Leicester City Council	Grant Certifications	Basic Needs Grant	Not started
2021-22	Planned	Leicester City Council	Systems & Governance	Non Residential Financial Assessment	Not started
2021-22	Planned	Leicester City Council	Grant Certifications	Green Homes Grant - Phase 1b	Not started

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Leicester City Council: Audit follow ups as at 18.02.2022

Audit Plan Yr	Plan State	Client Title	Audit Plan Area Names	Title	Current Milestone
2019-20	Planned	Leicester City Council	Governance	Financial Management & School Governance - SEND	Completed
2019-20	Planned	Leicester City Council	IT & Information Assurances	GDPR	In progress
2019-20	Planned	Leicester City Council	Governance	Financial Management & School Governance - LA Scheme for the Financing	In progress
				of Schools	
2019-20	Planned	Leicester City Council	Contracts	Social Value in Procurement	In progress
2019-20	Planned	Leicester City Council	Systems & Governance	Government Procurement Cards	Completed
2021-22	Planned	Leicester City Council	Schools	Eyres Monsell Primary School	In progress

Leicester City Council 2021-22 Audit Plan - Postponed or cancelled as at 31.01.2022

Audit Plan Y	r Plan State	Client Title	Audit Plan Area Names	Title	Current Milestone
2021-22	Planned	Leicester City Council	IT & Information Assurances	IT Audits - Automated Call distribution project	Cancelled
2021-22	Planned	Leicester City Council	IT & Information Assurances	IT Audits - VDI rollout	Cancelled
2021-22	Planned	Leicester City Council	Governance	Procurement of Contracts - Post Brexit	Cancelled
2021-22	Planned	Leicester City Council	Grant Certifications	LLEP - European Regional Development Fund (ERDF)	Cancelled
2021-22	Planned	Leicester City Council	Grant Certifications	LLEP - European Social Fund (ESF)	Cancelled
2021-22	Planned	Leicester City Council	Grant Certifications	Active Travel Fund (Tranche 2)	Cancelled
2021-22	Planned	Leicester City Council	Systems & Governance	Recruitment System	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Contract & Governance	Third Party Operators	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Schools	Schools' Governance - SEND	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Governance	Contract Audit - Children Services Contract	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Governance	Contract Audit - Implementation of the new Contract Procedure Rules.	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Systems & Governance	Bus Lane Penalty Enforcements	Postponed to 2022/23
2021-22	Planned	Leicester City Council	IT & Information Assurances	IT Audit - Key ICT controls - standard audit	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Grant Certifications	BEIS Public Sector Decarbonisation Scheme	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Grant Certifications	Ultra Low Emissions Vehicle (ULEV) Taxi Infrastructure Grant	Postponed to 2022/23
2021-22	Planned	Leicester City Council	Grant Certifications	Transforming Cities Grant (TCF1)	Postponed to 2022/23

<u>High Importance Recommendations – Position at 18th February 2022</u>

Audit Title (Owner)	Summary of Finding(s) and Recommendation(s)	Management Response	Action Date (by end of)	Confirmed Implemented
Reported March 2022 Eyres Monsell Primary School	A significant number of recommendations were made in this audit report, including 4 high importance (HI), which led to a partial assurance being given. Findings and recommendations in the report related to: Governance, Financial Reporting, Purchasing, Income, Banking, Asset Security, Managing Significant unexpected incidents; the 4 Hi Importance recommendations related to Payroll and Information Governance.	The school has provided Internal Audit with an action plan which outlines the progress made against each of the recommendations made in the report. A review of the action plan indicates that almost all (including the 4 Hi's) of the recommendations appear to have been implemented. A formal follow-up is planned in the next financial year, where documentary evidence will also be reviewed. The outcome of this audit will be reported back to the A&RC.	Jun 2022	
Reported July 2021				
Government Procurement Cards (Chief Accountant)	This report was finalised in March 21, whilst no High Importance recommendations were raised, there were a number of medium recommendations which has resulted in a Partial assurance being given. Some of the key weaknesses related to: • absence of receipts and VAT invoices • lack of managers approval of new applications and review of submitted claims	Internal audit has undertaken a follow up of recommendations made in the report; results from the testing shows that systems and processes are in place to address the recommendations.	Sept 21 Extend to Feb 22	Yes

Reported March 2021 Social Value within Procurement (City Barrister & Head of Standards Monitoring Officer)	 no checks to deactivate cards after staff have left no review to ensure continued business need for the cards. One High Importance recommendation was made in this audit report. Finding: Monitoring arrangement for Social Value (SV) Key Performance Indicators (KPIs) was not specified in the sample contracts there was no evidence to confirm that contract managers were monitoring the suppliers to ensure they had delivered their commitments and fulfilled their contractual obligations with regards to SV. Recommendation: The monitoring arrangements of SV - KPI's should be determined and included in the contract: these should be actively monitored 	A social value monitoring system has been procured, which will be under the new Head of Procurement (HOP) once appointed to get configured and embed in teams to use. This solution will enable the monitoring of the social value citied in successful providers responses. Full reporting will also be able to be produced. However, it was reported that the procurement team has lost significant numbers from their management team, which has meant the implementation is likely to be delayed by approximately 3-6 months.	July 21 Dec 21 Extend to Jun 22	
	contract; these should be actively monitored by contract managers and periodically reported.			
Reported June 2020				
Schools' Governance – LA Scheme for Financing Schools	The Audit highlighted one High Importance recommendation: Finding:	Finalising the Scheme for Financing Schools document is taking longer than anticipated as major updates need to be done. The extension to December 2021 was not adequate.	June 20 Dec 20	

(Head of Finance, Education and Children's Services)	The Scheme for Financing has not been amended to reflect the mandatory revisions as notified in the DfE directed revisions dated 19/08/2015 or 22/03/2018.	Competing priorities, particularly the completion of the school and other DSG block budgets for the end of January 2022 have taken precedence.	June 21 Aug 21 Oct 21
	Recommendation: The Scheme for Financing Schools should be updated to reflect any directed revisions as notified by the DfE.	A further extension to end of February has been requested.	Dec 21 Extend to Feb 22
GDPR (Data Protection Officer - DPO)	Within the earlier audit (Nov 18) it was confirmed that although Information Asset Registers (IAR) had been completed by relevant sections, gaps had yet to be identified — this could potentially lead to Data/Information breaches as gaps in compliance are not identified. Two High Importance recommendations were made: 1. The Data Protection Officer should put forward a proposal to Senior Management if it is considered there is a need for additional resources to be allocated to undertake meetings with the Information Asset Owners in order to complete the IAR's and associated action plans. 2. Meetings with Information Asset Owners should be undertaken as a matter of urgency to identify possible gaps in meeting Data Protection Act requirements. These gaps should then form sectional action plans which the relevant section should be monitored against.	 The business case has been considered by Senior Management and partly accepted. Extra resource has been allocated to the IG&R team from April 2022 with funding for an extra IG Assistant. Time limited and front loaded resource will also be considered for specific pieces of work e.g. Information Asset Owners training/meetings. Recruitment of the IG Assistant to be completed by April 2022. Project to progress, training/meetings with Information Asset Owners to run from May – Nov 2022 	Jan 21 June 21 Sept 21 Dec 21 Extend to Apr 22 Jan 22 Extend to Nov 22

Reported November 2019				
SEND Funding	This audit identified a number of significant areas for improvement; four High importance	All recommendations from the initial audit report were agreed by management. Testing undertaken	Nov 19	1. Yes 2. Yes
(Director Adult Social Care &	recommendations were included in the report:	to determine the progress made against the individual high importance recommendations,	June 20	 Yes Yes
Commissioning)	1. A lack of quality assurance checks to confirm that SEND funding was being spent	only one remains in progress	Feb 21	
	appropriately, with a particular focus on value for money and children's outcomes.	Clawback conditions have been drafted and are	Jun 21	
	2. No clear policy or process in place to	awaiting being updated in the Scheme for Financing.	Extended to	
	allow the LA to identify and use clawback procedures to reclaim any unspent or	2. In the meantime management have indicated	Oct 21	
	incorrectly spent SEND funds.	that claw back conditions have been updated in		
	3. Lack of robust reporting mechanisms to allow the Special Education Service (SES)	the Schools Funding Schedule and this will also be included in the Schools Extranet bulletin.		
	team to track and trace changes to pupil circumstances in a timely manner, which can			
	lead to overpayments being made to a school.			
))	4. There was no clear reconciliation procedures to ensure payments made to			
	individual providers are accurate and in line			
	with approved rates.			

Audit/A&RC/220316/Appendix 2 HI Progress Report Last Revised 18th February 2022