

Leicester
City Council

MEETING OF THE GOVERNANCE AND AUDIT COMMITTEE

DATE: WEDNESDAY, 22 NOVEMBER 2023

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)

Councillors Adatia, Cassidy, Dave, Kitterick and Whittle

Independent Member Mr Bipun Bhakri

Vice Chair Vacancy

One unallocated Labour Group place

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

for Monitoring Officer

Officer contact: Jessica Skidmore
Democratic Support Officer
, Democratic Services, Leicester City Council,
City Hall, 115 Charles Street, Leicester, LE1 1FZ
Tel. 0116 454 6350
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PUBLIC SESSION

AGENDA

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1. APOLOGIES FOR ABSENCE

2. DECLARATIONS OF INTEREST

3. MINUTES OF THE PREVIOUS MEETING

Appendix A
(Pages 1 - 4)

The minutes of the meeting held on 27th September 2023 are attached and Members will be asked to confirm them as a correct record.

4. STRATEGIC AND OPERATION RISK REGISTERS UPDATE

Appendix B
(Pages 5 - 44)

The Director of Delivery, Communications and Political Governance submits a report which provides an update on the Strategic and Operational Risk Registers.

Members will be asked to note the Strategic Risk Register and Operational Risk Register

Members will also be asked to make any comments to the Director of Delivery, Communications and Political Governance.

5. FINANCE UPDATE AND 2022/23 EXTERNAL AUDIT PROGRESS

Appendix C
(Pages 45 - 112)

The Director of Finance submits a report to the Governance and Audit Committee which provides an update on the progress of the statement of accounts and external audit findings for 2022/23.

The Committee is recommended to note the contents of the report and the update provided on the progress of the external audit findings.

6. COUNTER FRAUD ANNUAL REPORT 2022/23 AND MID-YEAR UPDATE

Appendix D
(Pages 113 - 118)

The Corporate Investigation Manager submits a report to inform the Committee on the work carried out by the Corporate Investigations Team during 2022/23 and the 2023/24 half year April 2023 to September 2023.

The Committee is recommended to receive and comment on the report and

make any recommendations it sees fit to the Executive and/or the Director of Finance. .

7. ANNUAL INSURANCE REPORT 2022/23

Appendix E
(Pages 119 - 126)

The Director of Finance submits a report to the Governance and Audit Committee which presents an overview of the Council's internal and external insurance arrangements and provides information on the claims received in recent years, and the results of the claims handling process.

The Committee is recommended to note the contents of the report, and the Council's approach to ensuring it is managing the financial risk associated with the claims.

8. INTERNAL AUDIT UPDATE

Appendix F
(Pages 127 - 142)

The purpose of this report is to provide a summary of the progresses against the 2023-24 and prior year Internal Audit Plans including:

- i. summary information on progress with implementing high importance recommendations.
- ii. summary of progress against the Internal Audit Plans.
- iii. commentary on the progress and resources used.

Members will be asked to note and comment on the contents of the report.

9. PRIVATE SESSION

MEMBERS OF THE PUBLIC TO NOTE

Under the law, the Committee is entitled to consider certain items in private where in the circumstances the public interest in maintaining the matter exempt from publication outweighs the public interest in disclosing the information. Members of the public will be asked to leave the meeting when such items are discussed.

The Committee is recommended to consider the following reports in private on the grounds that they contain 'exempt' information as defined by the Local Government (Access to Information) Act 1985, as amended, and consequently that the Sub-Committee makes the following resolution:-

"that the press and public be excluded during consideration of the following reports in accordance with the provisions of Section 100A(4) of the Local Government Act 1972, as amended, because they involve the likely disclosure of 'exempt' information, as defined in the Paragraphs detailed below of Part 1 of Schedule 12A of the Act, and taking all the circumstances into account, it is

considered that the public interest in maintaining the information as exempt outweighs the public interest in disclosing the information.”

Paragraph 3

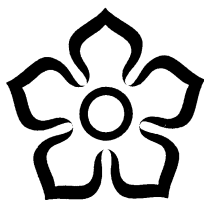
Information relating to the financial or business affairs of any particular person (including the authority).

10. FUTURE PROVISION OF THE INTERNAL AUDIT SERVICE

Appendix G
(Pages 143 - 150)

The Head of Finance submits a report on the Future Provision of the Internal Audit Service.

11. ANY OTHER BUSINESS



Leicester
City Council

Appendix A

Minutes of the Meeting of the GOVERNANCE AND AUDIT COMMITTEE

Held: WEDNESDAY, 27 SEPTEMBER 2023 at 5:30 pm

P R E S E N T:

Councillor Kaur Saini (Chair)
Councillor Surti (Vice Chair)

Councillor Dave

Councillor Whittle

* * * * *

12. APOLOGIES FOR ABSENCE

Apologies were received from Councillor Kitterick.

13. DECLARATIONS OF INTEREST

Members were asked to declare any interests they had in the business on the agenda.

There were no declarations of interest.

14. MINUTES OF THE PREVIOUS MEETING

RESOLVED:

That the minutes of the meeting of the Governance and Audit Committee held 19 July 2023 be confirmed as a correct record.

15. EXTERNAL AUDIT ANNUAL REPORT 2021/22 (THE VALUE FOR MONEY REPORT)

The external auditor introduced the report and provided an overview of the External Audit Report for 2021/22, this was the final piece of work for the 2021/22 audit. It was noted that:

- The overall position was that risks of significant no weakness had been identified in the year.
- There was a reported improvement in the direction of travel in two of the three criteria.

- There had been a review of the Council's decision making process which involved 2 case studies, no evidence of significant weakness was found in this review.
- Recommendations under the financial sustainability criteria were focused on maintaining reserves at sustainable levels and ensuring focus on a credible savings plan. These were due to a concerning outlook for the Council's finances which had led to a large amount of uncertainty regarding post 2023/24.
- At the present time savings that could be delivered were operational savings that could be delivered as business as usual.

In response to Member questions, it was noted that budgeting discussions were built into the auditing process. Officers and auditors met regularly to share intelligence on the present financial outlook and any large decisions would be shared with the auditors when appropriate.

Auditors noted that they were willing to provide summaries of auditing and financial processes for Members.

With regard to connectivity between auditing documentation and the strategic risk register, it was noted that there was alignment in the sense that financial sustainability was the number 1 risk on the register. Auditors did consider the risk register themselves.

In response to question about learning from other Councils, it was noted that common themes across different Councils were reviewed but that due to different reporting methods it was difficult to make comparisons between Councils.

A question was asked relating to the renewal of the Biffa contract. It was noted that a strategy was being worked on and would go to the relevant Scrutiny Commission when necessary.

RESOLVED:

That the Committee notes the report.

16. EXTERNAL AUDIT PLAN 2022/23

The external auditor submitted a report on the External Audit Plan 2022/23. It was noted that:

- This report formalised the indicative risks previously brought to the Committee.
- Main areas of focus continued to be the valuation of Council land, buildings, and dwellings, the management of pensions, and the risk of management override of control. These risks were deemed significant due to the higher risk of material misstatement.
- Additional accounting considerations were required due to the surplus in pensions evaluations.
- The majority of progress against prior year recommendations were listed

as tbc on the grounds of the audit being a work in progress.

- Future work would be focused on financial sustainability due to the financial climate.
- Auditors had also asked the Council about emerging issues such as RAAC and equal pay in order to receive reassurance.
- Notice would shortly be provided relating to the publishing of the final accounts for the year. Publishing would be done after the statutory deadline however this was not uncommon for a Local Authority.

A progress update on the RAAC work was requested.

RESOVLED:

1. That the Committee notes the report.
2. That the Committee requests a progress update on RAAC work.

17. INTERNAL AUDIT PLAN 2023/24 AND PROGRESS UPDATE

The internal auditor from Leicestershire County Council submitted a report on the Internal Audit Plan 2023/24 which provided a progress update. It was noted that conversations had taken place with the external auditor to ensure there was no duplication. The risks outlined were similar to that of other Local Authorities.

In response to a question on those audit reviews listed as cancelled, it was noted that these should be considered not definitively cancelled but just lowered in priority.

On the progress report, it was noted that one plan had been closed down and no new plans had been received since the last report. There had been good progress on the jobs in the plan, but summary of recourse had been slowed down to a member of staff being on jury duty.

RESOLVED:

That the Committee notes the report.

18. REGULATION OF INVESTIGATORY POWERS ACT 2000 - BI - ANNUAL REPORT JANUARY - JUNE 2023

The Head of Information Governance and Risk submitted a bi-annual report. It was noted that there had been no use of the power during the period in question.

RESOLVED:

That the Committee notes the report.

19. PROCUREMENT ANNUAL REPORT 2022/23

The Head of Procurement submitted the annual report for 2022/23. It was noted that there had been a extra resilience with regards to waivers. Advance notice had been brought to the Council of changes to regulations proposed in the Procurement Bill going through Parliament. Processes were being examined in light of this.

In response the questions it was noted that:

- On the approach to waivers, difficult decisions had to be made and the position now was to consider the most efficient approach.
- With regard to break clauses in to-let contracts, the intention was to embed this into existing contracts soon. The economic benefit of this approach to letting needed to be considered on a case-by-case basis.
- The reduction in the value of waivers was due to a robust approach being taken.

RESOLVED:

That the Committee notes the report.

20. ANY OTHER BUSINESS

There being no other business the meeting closed at 8.31pm.

Strategic and Operational Risk Registers

Governance and Audit Committee

Date of meeting: 22nd November 2023

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 provide to the Governance and Audit Committee (G&AC) an update on the Strategic and Operational Risk Registers

- **Appendix 1a the Strategic Risk Register (SRR)** provides a summary of the strategic risks facing the council which may affect achievement of the strategic objectives of the council and **Appendix 1b** is an example of a completed risk control action plan – more **detail at section 4.1**;
- **Appendix 2, the Operational Risk Register (ORR)** exposure summary, provides a high-level summary of the operational risks, which may affect day-to-day divisional and operational service delivery. The operational risk register are those risks identified and assessed by Divisional Directors as having a risk score of 15 or above;
- **Appendix 3, the ORR**, supports **Appendix 2** (the summary of the ORR) which provides the detail in relation to the council's operational risks.

2. Recommended actions/decision

G&AC is asked to:

- Note the SRR and ORR (as at 30th September 2023)

Make any comments to the Director of Delivery, Communications and Political Governance

3. Background

- 3.1** The Council's 2023 Risk Management Strategy requires the development, maintenance and monitoring of both the SRR and ORR.
- 3.2** Both the SRR and ORR processes are owned and led by the Head of Paid Service. The Corporate Management Team collectively support the strategic risk register process documenting the key strategic risks facing the council and help to ensure these are managed and the SRR is then submitted to the Executive for their consideration. It complements the operational risk register process which is supported and managed by the Divisional Directors in conjunction with their divisional management teams. Both registers are populated and maintained by the Manager, Risk Management for this group.

4. Detailed report

- 4.1 The **PESTLE** approach, a mnemonic which stands for '**Political, Economic, Social, Technological, Legal and Environmental**', has been implemented for the SRR as a framework for considering the wider context and environment, and the risks that this gives rise to. **Appendix 1a** indicates which category of **PESTLE** the strategic risks relate to. A summary of the SRR in relation to each of these themes is set out at paragraph 4.2. Individual risk owners for the SRR are Strategic Directors and/or those with statutory roles such as the Monitoring Officer and Section 151 officer (specific actions relating to the risk may be likely to be owned and delivered by other Directors and Senior Officers). This ensures there is robust strategic ownership and oversight of the most significant risks facing the organisation.

The summary (**Appendix 1a**) indicates risk scores from the previous risk reporting period including the variance in scores between the current and previous cycle and the total number of **high** operational risks (**risk score between 15-25**) (taken from the operational risk register) impacting the identified strategic risks.

The following amendments have been made to the SRR this reporting cycle and paragraph 4.2 provides a further narrative to explain these changes.

Three strategic risks with a reduced risk rating:

- **Risk 1.1 – Political** – Volatile political and policy environment, **reduced from 20 to 9**
- **Risk 2.1 – Economic** – Instability and weak economy, **reduced from 25 to 16**
- **Risk 3.5 Socio-cultural** - Inability to respond effectively to tensions and issues arising from rapidly changing cultural and community dynamics – **reduced from 16 to 12**

Three strategic risks with an increase in rating:

- **Risk 2.2 Economic** - Lack of critical skills, resources and capabilities across the workforce, **increased from 16 to 20**
- **Risk 3.1 Socio-cultural** - Growth in demand due to rising cost of living and population growth, **increased from 20 to 25**
- **Risk 4.2 Technological** - Inability to innovate and respond to new and emerging technological developments, **increased from 12 to 15**

One new strategic risk added has been added:

- **Risk 3.3 – Socio-cultural** - Inability to respond to critical housing needs

One strategic risk has been deleted:

- **Previous risk 3.3, Socio-cultural** – Effectively responding to major incidents.

Strategic Risk 2.2 (Economic – Lack of critical skills/resources and capabilities) has 11 divisional risks linked to it (supported by the Operational Risk Register) reflecting the ongoing challenges of recruiting and retaining staff across a range of services.

Changes are to be expected given the review of the SRR and the continuing volatile financial and economic climate. Each risk in the summary is supported by a more detailed risk control action plan capturing existing risk controls and proposed further actions/controls (unless the risk strategy is to tolerate the risk without further controls). **See Appendix 1b for an example of a completed risk control action plan.** With the revisions made to the SRR and ORR approach and format, the divisional and operational risk registers will allow better and clearer alignment between the strategic risks and operational risks. The majority of operational risks should have an alignment back to one or more of the overarching strategic risks facing the council. However, there will be high risks at operational level that may not have a direct impact on any of the strategic risks.

4.2 Update on the Risk Themes (PESTLE)

4.2.1 Political

Two strategic risks are under this theme, **one remains a low risk** and the other has been **reduced from a high to a medium risk**. **No new strategic risks** have been identified.

The political and policy environment risk has reduced from high to medium **(lower spectrum of medium)** reflective of further embedding of changes to the local political landscape following local elections in May 2023. Officers have greater familiarity and have adjusted to the political landscape changes and are working hard to provide support across all political groups. Work is ongoing to support elected members particularly for new elected members, through advice, guidance and via the ongoing member development programme to upskill them in relation to governance processes and council services widely.

Nationally, there remains a level of uncertainty and volatility as the country moves towards a general election some time in 2024/25, and there are a number of areas of national policy which are subject to change which impacts local government, such as policies relating to asylum seekers, local government finance and levelling up. Ensuring that mechanisms for two-way engagement with central government are deployed along with lobbying as appropriate is important to manage this risk.

4.2.2 Economic

There are **three red strategic risks** under this theme. The score relating to **financial sustainability remains at 25**, the highest rating reflecting the very challenging financial position of the council including significant in-year budget pressures during the 2023/24 financial year, and the projected future funding gap with a rapidly reducing level of reserves. This risk severely compromises service delivery and will negatively impact outcomes and residents including the most vulnerable, at a time of high demand. Significant work is underway with regard to identifying future savings and the management of cost pressures as part of the 2024/25 budget preparations.

The risk score **(16)** on risk **2.1** regarding the **economic context** has reduced slightly reflective of the national economic context with inflation falling slightly and some indications of prices stabilising, although remaining at a high level comparatively continuing to impact on the cost of goods and supplies. As the Council works through preparations for the next budget cycle, financial strategy projections for both capital and revenue will need to take account of this national context.

The risk score for **2.2 has increased from 16 to 20** reflecting the ongoing challenge in attracting individuals to roles across a range of technical disciplines and at senior levels. It is also reflective of the limited progress that departments and services are making on more proactive workforce planning which is constrained by the time and capacity to invest in this. HR are providing guidance, tools and support with an agreed focus across the organisation on the highest risk posts and areas.

4.2.3 Socio-cultural

There are **five risks** in this category, **four high red rated risks and one medium risk**. This includes **one new red risk** related to inability to meet critical housing needs. This has replaced a **green rated risk which has been removed** as a strategic risk and related to the risk of an inadequate response to major incidents. This risk was previously deemed as low and the senior management team view is this is not a strategic risk given the level of organisational preparedness and evidenced ability to respond to major incidents. This has now been reflected on the operational risk register instead but remaining green.

The **new risk added** relates to a risk that the Council is unable to meet critical housing need. At the current time there are significant issues creating major pressures on housing. Such issues include a withdrawal of private landlords from the market due to changes in regulation and rising costs, a limited supply of land in the city for new development and a wider slow-down by the private sector in housing development due to inflation and rising costs as well as the pressures arising from the cost of living on families and increasing numbers at risk of homelessness along with the placement of asylum seekers and refugees.

The **overall score has again increased** for a consecutive period on **strategic risk 3.1** which is now scored at the highest possible of **25**. This reflects a worsening situation in terms of increased demand arising from the ongoing cost-of-living crisis as well as population growth. This has resulted in significant in-year budget pressures in areas such as social care and housing and is therefore exacerbating further the significant financial challenges facing the council.

The **rating of risk 3.5** relating to the potential impacts arising as a result of rapidly changing cultural and community dynamics has been reduced reflective of an improving level of confidence in the organisation in responding to this through close working with partners and ongoing work to continue to maintain and develop community links.

Risk 3.4 relating to impacts arising from the numbers and complexity of needs of asylum seekers and refugees remains high. Whilst there is significant ongoing work to seek to manage this risk, it is also impacting significantly on the financial position of the council, including for example the pressures arising from the significant numbers of unaccompanied asylum-seeking children needing support.

4.2.4 Technological

Three risks remain under this category. Technology and data remain fundamental to Council operations and the risk of disruption to the technology infrastructure remains a high risk given the impact such disruption would have. The Council is a participant in the DHLUC Future Councils programme and as part of this has completed two of four domains in an assessment of our cyber security, risk management, disaster recovery and business continuity maturity using the National Cyber Security Centre Cyber Assessment Framework (CAF). The next two domains are to be progressed and from this we will be able to identify any further areas we can strengthen in terms of our existing arrangements as well as to be able to benchmark our maturity against other local authorities. Similarly, participation in the Future Councils programme is also helping in terms of mitigations for **strategic risk 4.2** and the ability to consider new technologies and our technology infrastructure. However, the **scoring of this risk (4.2)** has increased in relation to likelihood due to the financial position being a potentially major constraint with regard to investment in new technologies.

4.2.5 Legal

There is **one strategic risk** in this theme relating to unmanageable regulatory, legislative and national policy requirements, which remains a **high risk** due to the ongoing levels of intervention by Government being seen in other local authorities, and with the introduction of new regulatory and changed inspection regimes, such as the Office for Local Government (Oflog), more demanding inspection regimes in areas such as special educational needs and new inspection systems for adult social care. Failings in other local authorities further increases the scrutiny of local government and increases the potential for greater accountability,

reporting and ultimately intervention. It remains critical that the Council continues to focus on delivering any improvements arising from external audit, inspection, reviews and learns lessons arising from interventions in other authorities, as well as maintaining strong governance arrangements.

4.2.6 Environmental

The **one risk** under this theme remains as a significant risk arising from the impacts of climate change. Tackling the climate emergency remains a critical council priority with a new draft climate emergency action plan encompassing a wide range of ongoing and proposed new actions across the council, and which sits alongside ongoing work with the Environment Agency on flood defence, and local preparedness as part of the wider Local Resilience Forum for issues such flooding and hot weather.

- 4.3** The below matrix provides an indicator of the status of the council's strategic risks in terms of likelihood and impact. The risks in the **darker grey area quadrant require regular reviewing and monitoring** and consideration for further controls and should receive the most challenge and given priority. Risks in the **medium grey area also require regular reviewing and monitoring** to ensure they do not escalate to the **dark grey** quadrant.

| | | | | | | |
|----------------|-----------------------------|-----------------------------------|------------|---------------|-----------------------------|---------------------------------|
| LIKELIHOOD (A) | Almost Certain 5 | | | 4.2 | 2.2, 3.3 3.4, 4.1 5.1 | 2.3 3.1 |
| | Probable / Likely 4 | | | | 2.1 3.2 6.1 | |
| | Possible 3 | | | 1.1 4.3 | 3.5 | |
| | Unlikely 2 | | | | 1.2 | |
| | Very unlikely/ Rare 1 | | | | | |
| | | Insignificant/ Negligible 1 | Minor 2 | Moderate 3 | Major 4 | Critical / Catastrophic 5 |
| IMPACT (B) | | | | | | |

4.4 Operational Risks Update

The risks in the ORR (**Appendix 2/3**) are presented by:

- Strategic Area (in alphabetical order);
- Then by Divisional Area (again within alphabetical order);
- Then by 'risk score' with the highest first.

The summary of operational risks attached at **Appendix 2** indicates the number of high risks for each department/strategic area. With regards to the **ORR**, **26** existing risks have been amended, **2** deleted and **3** new risks were added to the ORR this quarter.

Appendix 2 provides a summary of operational risks facing the council. **Appendix 3 provides in-depth details on the risks summarised at Appendix 2.** 18 risks had amendments to the controls. These are **risks 1, 5, 9, 10, 11, 12, 13, 14, 21, 22, 23, 24, 25, 26, 27, 28, 29 and 30.**

Changes were made to the risk scores on the following risk:

| Division | Risk Description | Risk score now |
|---|------------------|---------------------------|
| Children's Social Care and Community Safety | Budget | 5(I) 4(L) – 20 Was 15 |
| Housing | Refugees | 4 (I) 5(L) - 20 Was 16 |

The 2 deleted risks are:

| Division | Risk Description | Reason for deletion |
|-----------------------|------------------------------|---------------------|
| DCPG | Loss of income opportunities | Risk Score now 12 |
| ASC and Commissioning | Staffing | Risk Score now 12 |

The 3 new risks added are:

| No. | Division | Risk Description | Risk Score |
|-----|-----------------------|---|----------------|
| 3 | Housing | Homelessness | 4(I) 5(L) - 20 |
| 14. | DCPG | Age and Condition of Specific Leisure Centres Impact and Implications | 4(I) 4(L) - 16 |
| 10 | ASC and Commissioning | Unable to deliver savings | 4(I) 4(L) - 16 |

Both appendices have been compiled using divisional risk registers submitted by each Divisional Director. The most significant managed/mitigated risks (scoring 15 and above) identified within these individual registers have been transferred to the council's ORR.

As a reminder, where a risk is '**deleted**' it does not always allude to the risk being eliminated. It refers to the risk score no longer being 'high' and it may well remain within the individual divisional register with a score below 15.

- 4.5** Governance and Audit Risk Committee are reminded that the council's Risk Management Strategy refers to the process of embedding risk management within business areas. The risk registers allow this to be evidenced, but if this process is to be demonstrated as a method by which the council manages its risk profile, it has to be more than the regular submission of a register to REBR on a timely basis. The updates/changes to the risk registers is a positive indication of this and the process of risk management is a daily activity throughout the authority to indicating the council is managing its risks and its exposure.

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

5.1 Financial implications

There are no direct financial implications arising from this report.

Kirsty Cowell, Head of Finance, Ext 37 2377

5.2 Legal implications

There are no direct legal implications arising from this report.

Kamal Adatia, City Barrister, Ext 37 1401

5.3 Equalities implications

Under the Equality Act 2010, public authorities have statutory duties, including the Public Sector Equality Duty (PSED) which means that, in carrying out their functions they have to pay due regard to the need to eliminate unlawful discrimination, harassment and victimisation, 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.

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.

The council also has an obligation to treat people in accordance with their Convention rights under The Human Rights Act, 1998.

The report provides an update on the Strategic and Operational Risk Registers and Health & Safety data. The ability of the council to meet its duties under the Equality Act 2010 is specifically accounted for in the strategic risk register. However, equalities and human rights considerations cut across all elements of risk management, including strategic and operational risk management.

Some of the risks identified in the Strategic Risk Register would have a disproportionate impact on protected groups should the council no longer be able to effectively manage them and, therefore, the mitigating actions identified in the strategic risk register support equalities outcomes. For example, should the council fail to safeguard effectively, this would have a disproportionate impact on the human right (prohibition of torture, inhuman or degrading treatment) of those from protected groups, such as age and disability. Likewise, a failure to engage stakeholders could lead to a failure to identify tensions arising in the city (particularly as the financial challenges impact on communities) leading to unrest in specific communities/areas of the city. This, in turn, would have an impact on the council's ability to meet the general aim of the PSED to foster good relations between people who share a protected characteristic and those who don't.

Therefore, the on-going work to update and consider risk management implications in making decisions and assessment of the effectiveness of the controls/ mitigation actions for the risks identified in the report and appendices, will support a robust approach to reducing the likelihood of disproportionate equality and human rights related risks, provided the mitigations/ controls themselves are compliant with the relevant legislation. The maintaining and monitoring of the Strategic Risk Register will support the delivery of the Council's corporate goals in ensuring that the identified risks are appropriately managed.

Effective risk management plays a vital role in ensuring that the council can continue to meet the needs of people from across all protected characteristics and, in some circumstances, will be particularly relevant to those with a particular protected characteristic. For example, some risks included in the operational risk register (relate to people with specific protected characteristics such as disability (children with special educational needs, people with mental ill health).

Surinder Singh, Equalities Officer, Ext 37 4148

5.4 Climate Emergency implications

The risks associated with climate change such as increased flooding, heatwaves and droughts, their consequences and the council's management of these risks are the subject of risk 6.1 – Environmental within the SRR and are considered through the ORR process. This allows for monitoring of the risks and consequences and the actions that are in place to control them, as well as further actions required. Following Leicester City Council's declaration of a Climate Emergency in 2019, an ambition has been set to achieve net zero carbon emissions by 2030, with climate change identified as one of the key priorities for the council to tackle. Further detail on the risks and impacts of

climate change for the UK can be found in the official Met Office UK Climate Projections (UKCP).

Aidan Davis, Sustainability Officer, Ext 37 2284

6. Summary of appendices:

Appendix 1 – Strategic Risk Register as at 30th September 2023

Appendix 1b – Example of completed Risk Control Action Plan

Appendix 2 – Operational Risk Register Summary as at 30th September 2023

Appendix 3 – Operational Risk Register in detail as at 30th September 2023

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

Appendix 1a - Strategic Risk Register summary

Date: 03/10/23

| Risk Ref / No | Summarise risk theme and description/impact | Risk Score with existing controls | High / Medium / Low | Risk response strategy – 4T's | Target Score with further actions / controls | Risk Owner | Risk score at 31/05/23 | Variance since last cycle | Total No. of high risks impacting Strategic risk | ORR risk reference No. from the ORR |
|---------------|---|-----------------------------------|---------------------|-------------------------------|--|----------------|------------------------|---------------------------|--|---|
| SRR 1.1 | Political: Volatile political and policy environment | 9 | Medium | Treat | 6 | AG RS MC | 20 | ↓ | 4 | ORR 2, 3, 26 and 27 |
| SRR 1.2 | Political: Failures in integrity of local governance and decision making | 8 | Low | Treat | 3 | KA AO | 8 | ↔ | 3 | ORR 11, 16 and 27 |
| SRR 2.1 | Economic: Economic instability and weak economy | 16 | High | Treat | 9 | RS | 25 | ↓ | 8 | ORR 2, 3, 9, 18, 19, 23, 24 and, 26 |
| SRR 2.2 | Economic: Lack of critical skills, resources and capabilities across the workforce | 20 | High | Treat | 12 | MC | 16 | ↑ | 11 | ORR 2, 3, 7, 8, 10, 13, 23, 25, 26, 28 and 30 |
| SRR 2.3 | Economic: Financial sustainability | 25 | High | Treat | 25 | AO | 25 | ↔ | 7 | ORR 1, 2, 6, 14, 17, 24 and 26 |
| SRR 3.1 | Socio-cultural: Growth in demand due to rising cost of living and population growth | 25 | High | Treat | 20 | RS | 20 | ↑ | 4 | ORR 3, 17, 21, and 30 |

| Risk Ref / No | Summarise risk theme and description/impact | Risk Score with existing controls | High / Medium / Low | Risk response strategy – 4T's | Target Score with further actions / controls | Risk Owner | Risk score at 31/05/23 | Variance since last cycle | Total No. of high risks impacting Strategic risk | ORR risk reference No. from the ORR |
|---------------|---|-----------------------------------|---------------------|-------------------------------|--|----------------|------------------------|---------------------------|--|-------------------------------------|
| SRR 3.2 | Socio-cultural: Less healthy and health resilient populations | 16 | High | Treat | 12 | RH | 16 | ↔ | 8 | ORR 1, 3, 17, 22, 24, 25, 28 and 30 |
| SRR 3.3 | Socio-cultural: Inability to respond to critical housing needs | 20 | High | Treat | 16 | RS | N/A – new risk | N/A | 1 | ORR 1 |
| SRR 3.4 | Socio-cultural: Impacts arising from numbers and complexity of needs of asylum seekers and refugees | 20 | High | Treat | 16 | RS | 20 | ↔ | 1 | ORR 1 |
| SRR 3.5 | Socio-cultural: Inability to respond effectively to tensions and issues arising from rapidly changing cultural and community dynamics | 12 | Medium | Treat | 9 | AG RS MC | 16 | ↓ | | |
| SRR 4.1 | Technological: Disruption to technology infrastructure | 20 | High | Treat | 16 | MC | 20 | ↔ | 1 | ORR 12 |
| SRR 4.2 | Technological: Inability to innovate and respond to new and emerging technological developments | 15 | High | Treat | 12 | MC | 12 | ↑ | 1 | ORR 29 |

| Risk Ref / No | Summarise risk theme and description/impact | Risk Score with existing controls | High / Medium / Low | Risk response strategy – 4T's | Target Score with further actions / controls | Risk Owner | Risk score at 31/05/23 | Variance since last cycle | Total No. of high risks impacting Strategic risk | ORR risk reference No. from the ORR |
|---------------|--|-----------------------------------|---------------------|-------------------------------|--|----------------|------------------------|---------------------------|--|-------------------------------------|
| SRR 4.3 | Technological: Data not appropriately managed or effectively used | 9 | Medium | Treat | 6 | MC KA | 9 | ↔ | 1 | ORR 29 |
| SRR 5.1 | Legal: Unmanageable regulatory, legislative and national policy requirements | 20 | High | Tolerate | 15 | KA RS AG | 20 | ↔ | 7 | ORR 1, 2, 3, 15, 17, 27 and 29 |
| SRR 6.1 | Environmental: Impacts and requirements arising from climate change | 16 | High | Treat | 12 | RS | 16 | ↔ | 1 | ORR 4 |

Risk scores:

| 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 |

Risk owners:

| | | | |
|----|------------------|----|----------------|
| AG | Alison Greenhill | MC | Miranda Cannon |
| AO | Amy Oliver | RH | Rob Howard |
| KA | Kamal Adatia | RS | Richard Sword |

IDENTIFIED RISK/RISK ACTION PLAN – SRR 1.2

SECTION A – Risk description and existing controls

| | |
|-----------------------------------|---|
| Risk description | Failures in integrity of local governance and decision-making |
| Risk Theme | Political |
| Risk reference | SRR 1.2 |
| Risk owner (name and role) | Kamal Adatia, City Barrister & Head of Standards Amy Oliver, Section 151 and Director of Finance |
| Current risk score | 8 |
| Response strategy/action | Treat |
| Target risk score | 3 |
| Risk review date | Ongoing with reviews at critical points for example on release of national reports |

Potential Impact/Likelihood

Provide a brief summary of the risk that you have identified in this section and the likely impact on the organisation's objectives if the risk occurs

Loss of integrity through lack of consistent and robust application of governance and decision-making procedures and powers

Provide a brief explanation of impact of this risk and the why the likelihood is scored as it is (will help with root cause and possible controls)

Failings in governance impact on delivery of priorities.
Risk of legal challenge.
Inappropriate use of resources.
Reputational damage and loss of public confidence.
Potential for strained relationships between members and officers.
Potential for intervention if failings are severe.

Existing action/controls already in place

Describe the specific actions and controls that are already in place now to manage the risk

1. Strong focus on governance including learning from other authorities.
2. Governance training for officers and members.
3. Corporate Governance Board in place.
4. Strengthening of Governance and Audit Cttee including appointment of independent member of the Committee, programme of training sessions before meetings and lead authority in the new regional forum.
5. Open and honest relationship with External Audit – proactive and early engagement and input.

Current risk score with existing measures

| Impact | Likelihood | Risk rating (I X L) |
|--------|------------|---------------------|
| 4 | 2 | 8 |

Response strategy: Treat

Further management action/controls:

List the further action(s) that will be taken in addition to existing controls to manage the risk. Complete the action plan in section B:

1. Continue to develop Audit and Risk Cttee including learning from the Regional Forum and embedding of Independent Member role - completed
2. More systematic and formal approach to learning from failings elsewhere – ongoing learning
3. Provision of appropriate support to all political groups following May elections including early and ongoing engagement with political groups and provision of briefing and guidance to both officers and members - ongoing

Target risk score with further management actions/controls

| Impact | Likelihood | Risk rating (I X L) |
|--------|------------|---------------------|
| 3 | 1 | 3 |

SECTION B – Risk action plan

| Action No | Control / Action | Action owner | Target date for implementation | Resources/costs required to implement | Progress update - date action completed / pending (if so why) | Success criteria |
|------------------|--|---------------------------|---|--|--|--|
| 1 | Continue to develop Audit and Risk Cttee including learning from the Regional Forum and embedding of Independent Member role | Amy Oliver / Kamal Adatia | Appoint Independent member by 1 st November 2023 | Officer time | Independent member appointed during 2022/23. Training of the Committee is regularly undertaken and a review of the committee's performance will be undertaken during 2023/24. Sept 2023 – Independent Member role becoming embedded and has helped to further strengthen arrangements. Governance and Audit Committee continuing to embed a stronger role. COMPLETE | Effective Audit and Risk Committee which supports ongoing review and improvement of LCC governance |
| 2 | More systematic and formal approach to learning from failings elsewhere | Kamal Adatia | Ongoing assessment as other cases arise | Officer time | Incomplete due to political challenges to Mayoral model in Feb/March 2023, and subsequent whole Council Elections. New target date August | Governance arrangements developed to incorporate learning from elsewhere |

| | | | | | | |
|---|---|--------------|---------|--------------|---|---|
| | | | | | 2023. Topical feedback from other LA experiences is ongoing (Sheffield, Croydon etc) Sept 2023 – Interventions and issues now arising regularly across a range of authorities so the approach is to continue to dynamically assess these as they arise against our own organisational position to identify any further learning | |
| 3 | Provision of appropriate support to all political groups following May elections including early and ongoing engagement with political groups and provision of briefing and guidance to both officers and members | Kamal Adatia | Ongoing | Officer time | Early engagement with political groups and advise on processes. Member development programme in place and underway. Close working by corporate mgt team to consider ongoing issues. Sept 2023 - Support and ways of working for both members and officers becoming further embedded. | Fit for purpose and robust governance and decision making Members both returning and newly elected members feel appropriately supported in relation to governance matters |

Appendix 2

LCC Operational Risk Exposure Summary as of 30th September 2023

STRATEGIC AREA – CITY DEVELOPMENTS AND NEIGHBOURHOODS

| Risk Ref (as per ORR) | Risk Theme / Category | Link to Strategi c Risk | Risk | Risk Owner | I | L | Current Risk Score | I | L | Target Risk Score | Target Date | Risk score at 31/05/23 | Variance |
|-----------------------------|---|--|--|---------------|---|---|--------------------------|---|---|----------------------|--------------------------------|------------------------------|----------|
| 1. | SOCIO- CULTURAL ECONOMIC LEGAL | SRR 2.3 SRR 3.2 SRR 3.3 SRR 3.4 SRR 5.1 | Housing – Refugees - - Increase in arrivals across all schemes, but in particular those seeking asylum creates risks around housing availability, safeguarding availability and community tensions. | CB | 4 | 5 | 20 | 3 | 5 | 15 | Ongoing, Sept 2023 review date | 16 | ↑ |
| 2. 25 | POLITICAL ECONOMIC LEGAL | SRR 1.1 SRR 2.1 SRR 2.2 SRR 2.3 SRR 5.1 | Housing – Budget Pressures - Increase in inflationary pressures have led to increasing pressures on the HRA and the Housing GF | CB | 5 | 4 | 20 | 4 | 3 | 12 | P4 Budget review Ongoing | 20 | ↔ |
| 3. | POLITICAL ECONOMIC SOCIO- CULTURAL LEGAL | SRR 1.1 SRR 2.1 SRR 2.2 SRR 3.1 SRR 3.2 SRR 5.1 | Housing - Homelessness Ongoing pressure and risks associated to statutory homeless cases requiring temporary accommodation exaggerated by cost of living crisis, budget pressures, capacity and housing stock reductions as well as impact of Universal Credit roll out. | CB | 4 | 5 | 20 | 2 | 5 | 10 | Ongoing, Sept 2023 review date | New Risk | |
| 4. | ENVIRONMENT AL | SRR 6.1 | Neighbourhood and Environmental Services – Ash Dieback – Epidemic of Ash Trees | SA | 4 | 4 | 16 | 4 | 4 | 16 | 31/01/24 ongoing | 16 | ↔ |

| | | | | | | | | | | | | | |
|-----|-----------------------|----------------|---|-----|---|---|----|---|---|----|---|----|---|
| 5 | SOCIO-CULTURAL | | Neighbourhood and Environmental Services - Decreasing availability of burial space. Burial space is limited in supply and may run out if further provision is not provided before existing capacity is reached. | SA | 4 | 4 | 16 | 4 | 3 | 12 | 31/01/24 Ongoing Planning Permission Dec 23 | 16 | ↔ |
| 6 | ECONOMIC | SRR 2.3 | Neighbourhood and Environmental Services – Running costs increases due to inflation | SA | 4 | 4 | 16 | 3 | 4 | 12 | 31/01/24 ongoing | 16 | ↔ |
| 8. | ECONOMIC | SRR 2.2 | Planning, Development and Transport - Failure or delayed delivery of development outcomes, including infrastructure - Ashton Green; new homes, employment land, community social infrastructure, open space, new jobs & skills training etc. | ALS | 4 | 4 | 16 | 3 | 4 | 12 | 31/01/24 ongoing | 16 | ↔ |
| 9. | ECONOMIC | SRR 2.1 | Planning, Development and Transport - Availability of supply chain - contractors, construction difficult to get in place and issues on materials being available since Covid-19. | ALS | 4 | 4 | 16 | 3 | 4 | 12 | 31/01/24 ongoing | 16 | ↔ |
| 10. | ECONOMIC | SRR 2.2 | Planning, Development and Transport - Recruitment and Retention of staff to deliver key projects, programmes and strategies. Lack of qualified experienced staff in market. Pay levels not commensurate with other councils | ALS | 4 | 4 | 16 | 3 | 4 | 12 | 31/01/24 ongoing | 16 | ↔ |
| 7. | ECONOMIC | SRR 2.2 | Neighbourhood and Environmental Services – | SA | 4 | 4 | 16 | 3 | 3 | 9 | 31/01/24 ongoing | 16 | ↔ |

| | | | | | | | | | | | | | |
|-----|-----------------------------|----------------|---|-----|---|---|----|---|---|----|------------------|----|---|
| | | | Misalignment of Resource Capacity and Political Expectation/Identified Requirements/Changing Demand | | | | | | | | | | |
| 11. | LEGAL SOCIO-CULTURAL | SRR 1.2 | Planning, Development and Transport - Duty to Protect - Failure to ensure counter-terrorism measures are incorporated into the built environment where required in order to meet our new statutory duties under the Duty to Protect legislation, e.g. new public realm schemes incorporating hostile vehicle mitigation measures | ALS | 5 | 3 | 15 | 5 | 2 | 10 | 31/01/24 ongoing | 15 | ↔ |

27 STRATEGIC AREA – CORPORATE RESOURCES AND SUPPORT

| | | | | | | | | | | | | | |
|-----|----------------------|----------------|---|----|---|---|----|---|---|----|---|----------|---|
| 12. | TECHNOLOGICAL | SRR 4.1 | Delivery, Communications and Political Governance – Cyber Security - Increasing profile and expertise to circumvent established defences increase vulnerability of LCC data. | MC | 4 | 5 | 20 | 4 | 4 | 16 | 31/01/24 ongoing | 20 | ↔ |
| 13. | ECONOMIC | SRR 2.2 | Delivery, Communications and Political Governance – Shortages in terms of staff capacity/key skills | MC | 4 | 4 | 16 | 3 | 4 | 12 | Ongoing review and prioritisation of critical roles/areas | 16 | ↔ |
| 14. | ECONOMIC | SRR 2.3 | Delivery, Communications and Political Governance – Age and Condition of Specific Leisure Centres Impact and Implications | MC | 4 | 4 | 16 | 3 | 4 | 12 | Corporate strategic review by 31/12/23 | New Risk | |

| | | | | | | | | | | | | | |
|-----|------------------|----------------|--|----|---|---|----|---|---|----|--|----|---|
| 16. | POLITICAL | SRR 1.2 | Legal – Workloads and Pressure – Client Care. Services within the Council are stretched with increased demands and pressures. | KA | 4 | 4 | 16 | 4 | 3 | 12 | June 2024 ongoing | 16 | ↔ |
| 15. | LEGAL | SRR 5.1 | Delivery, Communications and Political Governance – Impacts arising from Future Legislation ‘Martyn’s Law’ - Council is unprepared to respond to the potential requirements of forthcoming legislation related to counter-terrorism and therefore fails in the duty to protect people | MC | 5 | 3 | 15 | 5 | 2 | 10 | Ongoing work with internal working group | 15 | ↔ |

STRATEGIC AREA – SOCIAL CARE AND EDUCATION

| | | | | | | | | | | | | | |
|-----|--|--|--|----|---|---|----|---|---|----|------------------|----------|---|
| 18 | ECONOMIC | SRR 2.1 | Children's Social Care and Community Safety – Workforce availability – Diminishing availability of experienced skilled social workers | DE | 5 | 4 | 20 | 5 | 3 | 15 | 31/01/24 ongoing | 20 | ↔ |
| 19. | ECONOMIC | SRR 2.1 | Children's Social Care and Community Safety - Budget Loss and / or reduction of services to achieve budget savings | DE | 5 | 4 | 20 | 5 | 3 | 15 | 31/01/24 ongoing | 15 | ↑ |
| 17. | SOCIO-CULTURAL ECONOMIC LEGAL | SRR 2.3 SRR 3.1 SRR 3.2 SRR 5.1 | Adult, Social Care and Commissioning - Unable to Deliver savings | KG | 4 | 4 | 16 | 4 | 3 | 12 | 31/01/24 ongoing | New Risk | |
| 20. | SOCIO-CULTURAL | | Education - School collapses due to Reinforced Autoclaved | SM | 4 | 4 | 16 | 3 | 3 | 9 | Summer 2024 | 16 | ↔ |

| | | | | | | | | | | | | | |
|-----|-----------------------|----------------|---|----|---|---|----|---|---|---|------------------|----|---|
| | | | Aerated Concrete failure. Surveys undertaken to determine the risk. These surveys are intrusive and so the schools are unable to remain open while investigations and remedial works are undertaken. | | | | | | | | | | |
| 21. | SOCIO-CULTURAL | SRR 3.1 | Education - Failure to identify children missing from education in a timely manner. This could include children who have left school rolls who have not arrived at their destination school or where they have become electively home educated but where this is not suitable. | SM | 4 | 4 | 16 | 3 | 2 | 6 | 31/01/24 ongoing | 16 | ↔ |
| 22. | SOCIO-CULTURAL | SRR 3.2 | Education – Pupil Attendance DfE are increasing the statutory responsibilities relating to pupil attendance. | SM | 3 | 5 | 15 | 2 | 3 | 6 | Autumn 2023 | 15 | ↔ |

29

STRATEGIC AREA – PUBLIC HEALTH

| | | | | | | | | | | | | | |
|-----|--|--|---|----|---|---|----|---|---|----|------------------|----|---|
| 23. | ECONOMIC | SRR 2.1 SRR 2.2 | Budget - Changes to service delivery to operate within increasingly tight financial envelopes and increased savings targets - continued reductions could force termination of services to ensure priority services remain available. | RH | 5 | 5 | 25 | 4 | 5 | 20 | 31/01/24 ongoing | 25 | ↔ |
| 24. | POLITICAL ECONOMIC SOCIO-CULTURAL | SRR 2.1 SRR 2.3 SRR 3.2 | Wider Economy and Supply Chain - Brexit / Covid related pressures increases prices or reduces availability of IT stock / | RH | 5 | 4 | 20 | 4 | 4 | 16 | 31/01/24 ongoing | 20 | ↔ |

| | | | | | | | | | | | | | |
|-----|---|--|--|----|---|---|----|---|---|----|---------------------|----|---|
| | | | services / logistics / medicines etc within the supply chain. | | | | | | | | | | |
| 25. | ECONOMIC SOCIO- CULTURAL | SRR 2.2 SRR 3.2 | Staffing and recruitment - External. A national skill shortage and recruitment crisis in conjunction with Leicester being a challenging area in comparison to neighbouring areas creates difficulties in securing appropriately trained professionals within commissioned services and / or partner organisations - in particular Public Health Nurses and Health Visitors. | RH | 5 | 4 | 20 | 5 | 3 | 15 | 31/01/24 ongoing | 20 | ↔ |
| 26. | POLITICAL ECONOMIC | SRR 1.1 SRR 2.1 SRR 2.2 SRR 2.3 | Commissioning - Reduced budget for services impacts on financial viability to suppliers at the tender stage who may deem package to be unviable leading to a lack of bids reducing competition or tender failing altogether | RH | 4 | 4 | 16 | 4 | 3 | 12 | 31/01/24 ongoing | 16 | ↔ |
| 27. | POLITICAL LEGAL | SRR 1.1 SRR 1.2 SRR 5.1 | Policy / Governance / Partnerships - Population health and the wider determinants of health impact, and are impacted by, a broad range of activities LCC undertakes. | RH | 4 | 4 | 16 | 3 | 4 | 12 | 31/01/24 ongoing | 16 | ↔ |
| 28. | ECONOMIC SOCIO- CULTURAL | SRR 2.2 SRR 3.2 | Staffing and recruitment - Internal. An emerging recruitment crisis across a variety of sectors creates difficulty, both within Public Health and our commissioned services or system partners, in securing sufficient staff with the appropriate skills | RH | 4 | 4 | 16 | 4 | 3 | 12 | 31/01/24 ongoing | 16 | ↔ |

| | | | | | | | | | | | | | |
|-----|---|--|--|----|---|---|----|---|---|----|---------------------|----|---|
| | | | and experience to meet the immediate Public Health challenges posed by Covid 19 response and recovery and emerging issues. | | | | | | | | | | |
| 29. | TECHNOLOGICAL LEGAL | SRR 4.2 SRR 4.3 SRR 5.1 | Data - Complex data sharing agreements with external organisations not in place or understood by officers which restricts information flow into Public Health required to deliver objectives. | RH | 4 | 4 | 16 | 3 | 3 | 9 | 31/01/24 ongoing | 16 | ↔ |
| 30. | ECONOMIC SOCIO- CULTURAL | SRR 2.2 SRR 3.1 SRR 3.2 | Health Protection /Covid 19 – Variant strains or other diseases emerge requiring a significant response, further local lockdowns, preventative measures, or a continuance of efforts that have been tapered off | RH | 5 | 3 | 15 | 4 | 3 | 12 | 31/01/24 ongoing | 15 | ↔ |

31

Key:

| IMPACT (I) | SCORE | LIKELIHOOD (L) | SCORE |
|---------------------------|-------|----------------------|-------|
| CRITICAL/ CATASTROPHIC | 5 | ALMOST CERTAIN | 5 |
| MAJOR | 4 | PROBABLE / LIKELY | 4 |
| MODERATE | 3 | POSSIBLE | 3 |
| MINOR | 2 | UNLIKELY | 2 |
| INSIGNIFICANT/ NEGLIGIBLE | 1 | VERY UNLIKELY / RARE | 1 |

Risk scores:

| 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 |

Risk Owners:

| | | | | | |
|-----|---|----------------|----|---|----------------|
| ALS | - | Andrew L Smith | MC | - | Miranda Cannon |
| CB | - | Chris Burgin | RH | - | Rob Howard |
| DE | - | Damian Elcock | SA | - | Sean Atterbury |
| KA | - | Kamal Adatia | SM | - | Sophie Maltby |
| KG | - | Kate Galoppi | | | |

Appendix 3 - Leicester City Council Operational Risk Register

Risk Register Owner: Alison Greenhill, COO

| Risks as at: 30/09/2023 | | | | | | | | | | | | | | | | |
|--|-------------------------------------|---|--|---|---|------------|-------------|------|---|--|--------------|-------------|------|------|--------------|-------------------------------------|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE |
| | | Which Strategic Risk does the risk link to? Where relevant, refer to the SRR to establish which strategic risk is impacted by risk identified (Below link provides access to current SRR on SharePoint). Log strategic risk ref no. | What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | What would occur as a result, how much of a problem would it be, to whom and why? | What are you doing to manage this risk now? | | | | Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate | | | | | | | |
| | | https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | |
| STRATEGIC AREA - City Development and Neighbourhoods | | | | | | | | | | | | | | | | |
| 1 | ECONOMIC SOCIO-CULTURAL LEGAL | SRR 2.3 SRR 3.2 SRR 3.3 SRR 3.4 SRR 5.1 | Housing - Refugees- Increase in arrivals across all schemes, but in particular those seeking asylum creates risks around housing availability, safeguarding availability and community tensions. This is compounded by the Prime Ministers commitment to clear legacy claims by the end of 2023. This impacts on homelessness services/ availability of social housing/ Safeguarding concerns for adults and children. Sept 2023 - intel received on numbers which has increased level of risk. | Significant budget pressures (see also Risk Reference 9)on temporary accommodation and availability of affordable housing for all groups. Significant pressures on staffing resources, with potential to interrupt/ services or create significant delays in assessments. Inability to deliver the safeguarding function (Adult Social Care/Children's Social Care risks) and community safety risk of unrest/action due to location/placement of hotels (east Leicester issues) and also perception that new groups access services delaying or preventing existing residents access. Also, increasing risk of demonstration/action by far right (taken place in other areas of the UK). | - All housing services to be vigilant and report any serious issues to Prevent or Police as appropriate. Ongoing monitoring of community tensions and myth busting as refugees are accessing a range of housing options including the Private Rented Sector. Strategic co-ordination of information sharing with key partners. - Separate risk assessment for the Homes for Ukraine project in place - Ongoing oversight of Asylum in the City with the Asylum Board make up of Senior officers, external partners and politicians - Purchase of additional properties (Govt fund) for Ukraine/Afghan arrivals - allocation of income from these groups to support provision of temporary accommodation/homeless services - ongoing lobbying of Home Office regarding national, multi-scheme dispersal model and for the relaxation on right to buy receipts - Martin Samuels and Richard Sword co-chair of strategic group overseeing corporate risks | 4 | 5 | 20 | Treat | - Case for additional staffing resource to be considered to manage unprecedented demand on service, and prevent service from being unable to meet statutory duties due to overwhelming demand - to be considered by Director and Strategic Director. - Considerations around potential provision of additional temporary accommodation that is not B&B. - Continue to monitor, reporting issues working closely with the Police. Link families up with services and support where necessary. - Increase engagement with 3rd sector to deliver re-settlement activity with the hotels - Stay abreast of changing arrangements for the schemes and work to minimise the risks to the local authority and to continue lobbying for appropriate funding, relaxation of regulation (RTB) and equitable distribution across the UK - Input and push for the National Asylum dispersal scheme to share the load across the Country, not just in Leicester. | 3 | 5 | 15 | | Chris Burgin | Ongoing, September 2023 review date |
| 33 | | | | | | | | | | | | | | | | |
| 2 | POLITICAL ECONOMIC LEGAL | SRR 1.1 SRR 2.1 SRR 2.2 SRR 2.3 SRR 5.1 | Housing - Budget Pressures - Increase in inflationary pressures have led to increasing pressures on the HRA and the Housing GF. 2023/24 budget has been set with significant savings required and more savings potentially still to be found over the course of the year. The rent increase was capped below inflation, further limiting options to address this risk. | - Budget overspend. Insufficient budget to balance the budget without reducing service offer or capital investment - Impact on the resilience of services and their ability to manage and adapt to further change - The erosion of service areas and what we can and can't do - Expectations will need to be managed in the face of potential impacts on services - Negative PR / reputational damage / potential increase in complaints / legal challenges and fines - LCC Housing stock does not meet decent homes standard | - Use of reserves in 22/23 to balance the budget - HRA 23/24 approved with a 108% DH increase, maximum rent increase and 10.1% service charge increase In year budget monitoring to oversee the existing budget pressures - Assessment of Fundamental Budget Review information - Senior Management Team (SMT) where we monitor and address financial challenges - Year-end forecasting process with Finance team. - Heat metering and billing project (direct consequence of budget pressures on HRA) - Managing and supporting the health and well being of staff as part of having to work within a financially constrained environment with the associated service delivery consequences - Review of all existing HRA budget to identify potential savings to include in the 24/25 HRA budget | 5 | 4 | 20 | Treat | - 5 and 30 year capital investment strategy being developed - Identification of savings in HRA to streamline service and deliver efficiencies - FBR savings proposed in Housing GF proposals of savings of over £900k Bidding to secure additional external funding towards existing costs - Ongoing external bidding for funding | 4 | 3 | 12 | | Chris Burgin | P4 Budget review Ongoing |

| Appendix 3 - Leicester City Council Operational Risk Register | | | | | Risks as at: 30/09/2023 | | | | | | | | | | | | |
|---|--|---|---|---|---|------------|-------------|------|---|--|--------------|-------------|------|--------------------------------------|----------------|--|---------------------------|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE | |
| | | Which Strategic Risk does the risk link to? Where relevant, refer to the SRR to establish which strategic risk is impacted by risk identified (Below link provides access to current SRR on SharePoint). Log strategic risk ref no. | What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | What would occur as a result, how much of a problem would it be, to whom and why? | What are you doing to manage this risk now? | | | | Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate | | | | | | | | |
| | | https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | | |
| 3 | POLITICAL ECONOMIC SOCIO-CULTURAL LEGAL | SRR 1.1 SRR 2.1 SRR 2.2 SRR 3.1 SRR 3.2 SRR 5.1 | Housing - Homelessness Ongoing pressure and risks associated to statutory homeless cases requiring temporary accommodation exaggerated by cost of living crisis, budget pressures (see Risk Reference 9), capacity and housing stock reductions as well as impact of Universal Credit roll out. The roll out of the EU resettlement programme placing additional pressure of homelessness services. Asylum seeker placements in hotels in Leicester City has also increased the risk of increased demand from this cohort. Spike in family presentations, following the lifting of amnesty on evictions. Potential risk of hidden homelessness for council tenants decanted due to domestic abuse and harassment. Only around 10% of PRS currently affordable without interventions. | - Supply of temporary / emergency accommodation does not meet demand and is more expensive. Alternative temporary accommodation is needed i.e. Bed & Breakfast; - Suitability of Accommodation Orders are being contravened - leaving us open to legal challenge. - Increased budget pressures;. 2022/23 out-turn was 1.7mil net pressure, 2023/24 likely to be significantly more than this dependent on success with mitigations (at present (Sept 2023) forecasted to be 5mil gross, 3.5mil net); - Inability to meet demand for preventative homelessness services impacting on crisis management. Increased costs of temporary accommodation and the pressure of having move-on options for a large cohort of those accommodated. Ongoing budget pressures due to Covid response, Everyone In. Recovery likely to impact for this financial year. | - Funding for preventative measures in reflection of additional burdens from new legislation have now been mainstreamed and combined with Flexible Homelessness Support Grant (FHSG). Additional funding secured under the Rough Sleeping Initiative and Protect Programme. Further uplift of Homelessness Prevention Grant (HPG) for vulnerable renters. - Homelessness Strategy challenging supply and types of temporary accommodation to meet individual needs; - Difficult to recruit and retain staff, ongoing continuous recruitment exercise in place. - Successful bids for additional funding to focus on rough sleeping (new initiatives); - Different models of temporary accommodation (TA) to move away from historic "institutional" settings. Monitor additional applications from EUs through resettlement process. Consult legal for compliance with process. Brexit and impact on EUs. Training delivered to key staff to manage this and prioritise progression of settled status applications. - Maximising use of LCC Council stock for this cohort - Utilising all new acquisitions and new build for this cohort - Working in tandem with other stakeholders and parties on the Homelessness Charter is delivering and focussing services - New initiatives implemented to increase availability of permanent housing solutions through ringfencing of stock for households in temporary accommodation. Rough Sleeping Next Step Strategy developed in response to increase demand for services throughout the pandemic and the re-configuration of services and loss of Safe Space. - PRS Strategy Developed to enable more housing options and help to prevent and sustain current PRS households - Ending Rough Sleeping Plan developed and Cold Weather | 4 | 5 | 20 | Treat | - Roll out of homelessness strategy actions (preventative) to enhance and expand on existing control; - Enhanced communications strategy; - Ongoing development and embedding of the Homelessness Charter - Build new Social Housing & acquire houses to use as Social Housing - Delivery of the PRS Strategy to drive up standards in the PRS including develop relationships with private sector landlords, offer enhanced service to PRS landlords and tenants to prevent homelessness - as at Sept 2023 upper limit of bridging payments agreed to be increased from LHA+20% to LHA+35%. - Reviewing and improving the management of customer expectations and the documentation and PHPs provided. - Amending and rationalising the provision of the Enhanced Rough Sleeping offer, so that resources are better prioritised. - Continue to bid for available external funding (Rough Sleepers Accommodation Programme and others) - Development of a business case to deliver new housing outside of the HRA for the Council - Work to launch the next Homelessness strategy for 2023 to 2028 has commenced this will tackle the identified challenges and issues within the existing system - Work with Changing Futures to integrate & | 2 | 5 | 10 | | | Chris Burgin | Ongoing, Sept 2023 review |
| 4 | ENVIRONMENTAL | SRR 6.1 | Neighbourhood and Environmental Services Ash Dieback - Epidemic of Ash Trees Caused by an introduced pathogen that most local ash trees are unlikely to have resistance to. It is anticipated that up to 95% of the tens of thousands of ash trees in the city will die. Perhaps 50% of the total will be the council's direct liability. Many trees are located on traffic routes or in areas of use and habitation. Dying and collapsing trees will present an injury and property damage risk, and present a hazard risk to staff during removal operations. Under normal conditions £135k per year is devoted to clearing similar problems across all species. It is anticipated this cost will multiply several times at the height of the epidemic. | - Injury to staff and residents, including highway users - Damage to property including animal injury, buildings, parked and moving vehicles, various infrastructure and parks and street furniture - Disruption to traffic routes and areas of high use during removal operations | Established teams, structures and systems will address problems in the early stages. These can be built on further as the problem starts to strain existing resources. There is no way to limit or control the establishment and spread of the pathogen as it is a windborne micro-organism. In essence management is a reactive process. Contingency sum of £100k included in Capital programme for 2021/22 - 2022/23 and a capital bid of £130k for a elevated platform to allow working at height is approved in the 2023/24 programme. Launch of the Ash Die Back Action Plan and on-line educational page on LCC website now live to make residents/public aware of ADB. | 4 | 4 | 16 | Treat | Effective and timely reactive responses, utilising existing revenue budget and prioritising the T&W work programme. Continue to monitor spread of disease and record on a central register, removal of trees which reach category 3/4. | 4 | 4 | 16 | £100k contingency £130k equipment | Sean Atterbury | 31.01.2024 Ongoing | |
| 5 | SOCIO-CULTURAL | | Neighbourhood and Environmental Services - Decreasing availability of burial space Burial space is limited in supply and may run out if further provision is not provided before existing capacity is reached. rates of death and grave sales have increased above average due to Coronavirus and continued death rate. | - Significant distress to families requiring a burial if no new burial plots are available. Some faith communities do not permit cremation as an alternative. - Damage to LCC reputation and significant negative press and community tensions arising from failure to meet needs. Reduction in service provision. - Financial losses from lack of new burial space reducing cemetery income (estimated £1m plus per annum), | - Burial Space Strategy 2014 identified the need for a new cemetery. consultation with planners regarding Local Plan provision in the city and outside the city undertaken. - EBS Capital Projects team commissioned to deliver a new cemetery by 2025/26. One site identified for feasibility to date, potential for others being investigated by EBS. £150k budget for feasibility studies agreed. - Mitigation action to reduce demand for graves without a burial proposed. | 4 | 4 | 16 | Treat | - Identify alternative site/s for new burial space. Secure capital funding (c£4m -£8m) and planning permission for new cemetery construction. - Public consultation on future needs. | 4 | 3 | 12 | £150k + £3.8 £8.6m | Sean Atterbury | 31.01.2024 Ongoing Planning permission, Dec 2023 | |

Appendix 3 - Leicester City Council Operational Risk Register

Risk Register Owner: Alison Greenhill, COO

| Risks as at: 30/09/2023 | | | | | | | | | | | | | | | | |
|-------------------------|-----------------------|------------------------|--|--|--|------------|-------------|------|---|---|--------------|-------------|------|------|----------------|-----------------------|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE |
| | | | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | |
| 6 | ECONOMIC | SRR 2.3 | Neighbourhood and Environmental Services - Running costs increases due to inflation | - Inability to maintain services within budget. | - As soon as contract inflation impacts are known, these are discussed with Finance and actions agreed to mitigate these where possible. | 4 | 4 | 16 | Treat | - Ensure the cost of inflation and impact is measured and reported to DMT. Take action to raise the cost accordingly | 3 | 4 | 12 | | Sean Atterbury | 31.01.2024 Ongoing |
| 7 | ECONOMIC | SRR 2.2 | Neighbourhood and Environmental Services - Misalignment of Resource Capacity and Political Expectation/Identified Requirements/Changing Demand Increase in the demand led services, along with the reduction in head count could mean that there are insufficient resources to deliver the required service levels. During times of change, staff are not always aware of the changes being made, resulting in confusion etc. | - Teams already at a minimum and extra workloads are unsustainable. - As demand-led services increase, workload and public expectations increase. - Likelihood of key person dependency as teams reduce further (fewer people in key roles). - Potential risk of non-compliance or breaches/lack of a substantial control environment. - Service delivery requirements not met. - Staff wellbeing may be harmed. - Reputational damage may result from unplanned building closures due to staff shortages. | - Existing prioritisation arrangements are in place. - Policies and procedures are in place. - Processes are in place. - Regular briefings and QCs - Organisational review consultation process. - Managing expectations with senior officers / stakeholders - Accessing external grants - Creation of temporary project roles | 4 | 4 | 16 | Treat | - Building adequate criteria and expectations into Service Reviews. - Creating temporary project roles where relevant. - Income generation to fund service specific posts / resources. - Better use of existing internal & external resources (partnerships) - understanding impact of Covid and the increased demand on during recovery. - Waste Management structure is under review. - Create staff development opportunities linked to progression (NS). - Develop a divisional workforce plan to establish capacity and recruitment. - Greater link back to the strategic aims and plan | 3 | 3 | 9 | | Sean Atterbury | 31.01.2024 Ongoing |
| 8 | ECONOMIC | SRR 2.2 | Planning, Development and Transport - Failure or delayed delivery of development outcomes, including infrastructure - Ashton Green; new homes, employment land, community social infrastructure, open space, new jobs & skills training etc. | - Delayed or reduced capital receipt for the Council, delayed housing delivery no's inc. affordable, impact on jobs & training. Impact on Local Plan housing no's. Homes England Clawback of HIF Funding | - Revised Project governance structure, programme board now includes all LP strategic sites, a project specific risk log, development manager lead, project director oversight, regular City Mayor reporting. - External high level review undertake, this has identified priorities and resource requirements. - Recent focus on potential to assist delivery of affordable homes to meet the CM Manifesto commitments. - Change in key personnel within Dev team has resulted in net loss of staff on AG delivery (and wider team). Recruitment has failed twice for senior post replacements and to growth post identified in the delivery review. Interim measures being put in place with consultant support 2 days a week but not a sustainable model for long term delivery, significant officer time spent clienting these resources due to scale of project. - Mid level resource lost, recruitment failed once, advert back out. - Bidding for capacity funding from HE however note resources at this level with experience are in demand across the discipline nationally. - Availability rather than funding is the limiting factor. - Affordable Housing conversations internally delaying release of next 2 phases of land to market due to undetermined AH% requirement above planning. - Requirement and specification must form part of the procurement from the outset. | 4 | 4 | 16 | Treat | - Need to ensure cross divisional resources & support are available and well utilised. - Need to ensure coordination of highway, drainage and planning responses. - Need to ensure that adequate external consultancy support is available to deliver the project work streams. - Ongoing review of planning conditions requirements, submission of section 73 applications to unlock development parcels (expected by end of 2023). - Secured external funding to accelerate delivery of infrastructure. - In order to make a step change and accelerate delivery need to look at bringing in additional resource either through consultancy or additional post. - Need to ensure focus on delivering additional affordable homes does not impact of delivery programme. | 3 | 4 | 12 | | Andrew L Smith | 31.01.2024 Ongoing |
| 9 | ECONOMIC | SRR 2.1 | Planning, Development and Transport - Availability of supply chain - contractors, construction difficult to get in place and issues on materials being available since covid-19 Ongoing material shortages and costs are still being felt as a result of economic turmoil and increasing energy prices. This is being felt, nationally, across the construction industry e.g. BNG and Carbon offsetting | - Delay to projects and programmes; cost increases; funding slippage; potentially politically sensitive on high profile projects | - Increasing contingency for new projects; working closely with suppliers to identify risks early and mitigate where possible. | 4 | 4 | 16 | Tolerate / Treat - consider additional measures / actions | - Options are being considered to further mitigate risk: in accordance with elected member wishes quality of work is being maintained; against a backdrop of increasing costs, risks are being managed at previous levels through increased ECI to better inform initial designs & by deferring / delaying projects & programmes where necessary. | 3 | 4 | 12 | | Andrew L Smith | 31.01.2024 Ongoing |
| 10 | ECONOMIC | SRR 2.2 | Planning, Development and Transport - Recruitment and Retention of staff to deliver key projects, programmes and strategies. Lack of qualified experienced staff in market. Pay levels not commensurate with other councils. Various external factors impacting e.g. Reed are not a built environment / transport specialist agency so interim staff difficult to source via this single supplier contract, external job market etc. Pressures within HR contribute further service delivery issues. | - Failure to deliver key project/programme - Financial implications. - Poor service level. - Additional pressures on overtime and agency use, increased complaints, reputation issues, stress levels and sickness . | - Service specific progress monitoring meetings with Director. - Prioritising recruitment and replacement of staff as soon as they leave. - Extend Graduate programme. - Comprehensive Planning Workforce Action Plan / Organisational Review underway to address the recruitment and retention issues in the service- significant funding required. External consultants appointed where possible. | 4 | 4 | 16 | Treat | - Escalation of risk reporting to higher management and political level. - Consultant and legal advice to minimise risk. Explore new options around capacity support other than via Reed - Expedite HR, Procurement, Legal and Financial processes. | 3 | 4 | 12 | | Andrew L Smith | 31.01.2024 Ongoing |

Appendix 3 - Leicester City Council Operational Risk Register

| Risk Register Owner: Alison Greenhill, COO | | | | | | | | | | | | | | Risks as at: 30/09/2023 | | | | | | |
|--|--|---|---|---|--|------------|-------------|------|---|--|--------------|-------------|------|-------------------------|----------------|--------------------|--|--|--|--|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE | | | | |
| | Establish which category the risk falls into using PESTLE definition. See Process tab for more information | Which Strategic Risk does the risk link to? Where relevant, refer to the SRR to establish which strategic risk is impacted by risk identified (Below link provides access to current SRR on SharePoint). Log strategic risk ref no. | What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | What would occur as a result, how much of a problem would it be, to whom and why? | What are you doing to manage this risk now? | | | | Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate | | | | | | | | | | | |
| | | https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | | | | | |
| 11 | LEGAL SOCIO-CULTURAL | SRR 1.2 | Planning, Transport and Development - Duty to Protect - Failure to ensure counter terrorism measures are incorporated into the built environment where required in order to meet our new statutory duties under the Duty to Protect legislation, e.g. new public realm schemes incorporating hostile vehicle mitigation measures. | Council could be deemed at fault if a terrorist incident occurred that could have been prevented by appropriate CT measures/features in the built environment and day to day highway network management activities. | - Maintain regular catch up meetings with CT Police Team. - Establish single point of contact for schemes with CT implications within the public realm. - Project records to include reference to compliance / agreement of alternatives / non agreement and associated rationale with CT police requirements. - Training sessions being delivered - Need to ensure requirement for CT measures is considered and record all decisions. - City Centre PPZ Security measures being delivered in liaison with CT Police Team. | 5 | 3 | 15 | Treat | - Consider inclusion of reference to CT measures in the revised Street Deign Guide | 5 | 2 | 10 | | Andrew L Smith | 31.01.2024 Ongoing | | | | |

Appendix 3 - Leicester City Council Operational Risk Register

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|---|--|--|---|--|---|-------------------------|-------------|------|--|--|--------------|-------------|------|------|--------------------------------|---|--------------------|
| RISK REF | RISK THEME / CATEGORY <i>Establish which category the risk falls into using PESTLE definition. See Process tab for more information</i> | LINK TO STRATEGIC RISK <i>Which Strategic Risk does the risk link to? Where relevant, refer to the SRR to establish which strategic risk is impacted by risk identified (Below link provides access to current SRR on SharePoint). Log strategic risk ref no.</i> | RISK <i>What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives?</i> | CONSEQUENCE/EFFECT: <i>What would occur as a result, how much of a problem would it be, to whom and why?</i> | EXISTING ACTIONS/CONTROLS <i>What are you doing to manage this risk now?</i> | RISK SCORE | | | RESPONSE STRATEGY / ACTION <i>Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate</i> | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE | |
| | | https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | | |
| STRATEGIC AREA - Corporate Resources &Support | | | | | | | | | | | | | | | | | |
| 12 | TECHNOLOGICAL | SRR 4.1 | Delivery, Communications and Political Governance - Cyber Security Increasing profile and expertise to circumvent established defences increase vulnerability of LCC data. | <ul style="list-style-type: none">- Data hacked and released into public domain;- Reputational damage - seek alternative more expensive solutions;- Fines from ICO;- Staff stress increases;- Damage to identified individuals;- Denial of service / major service disruption | <ul style="list-style-type: none">- Technology defences;- Awareness campaign;- Targeted follow up's;- Built into new system standards from 3rd party applications (secure passwords, TLS);- Daily back-up of systems- Maintain clear Major incident Management processes- Understand RPO and RTO capability for recovering critical systems- Appointed Security Operations Centre Lead to review and respond to threat intelligence- Undertaking Cyber Security Gap Analysis in light of increased flexible and mobile working- Implemented solutions to respond to the new threat from Ransomware which could attack / compromise backup data- Implemented new End Point security- Implemented 3rd party Security Operations Centre service providing 24x7 cyber security monitoring. | 4 | 5 | 20 | Treat | <ul style="list-style-type: none">- Assess and implement new Technology solutions as appropriate to address any changing/new threats- Continued Staff awareness training etc..- Complete NCSC Cyber Assessment Framework (CAF) as part of DLUHC Future Councils and develop a remediation plan.- Ensure Cyber Security evaluation of partners is undertaken during procurements as part of DDaT playbook.- Work with other LGAs and 3rd parties to improve staff awareness of Cyber Security responsibilities.- Undertake Cyber Essentials assessment. | 4 | 4 | 16 | | | Miranda Cannon | 31.01.2024 Ongoing |
| 13 | ECONOMIC | SRR 2.2 | Delivery, Communications and Political Governance - Shortages in terms of staff capacity/key skills Skill shortages - Difficulties recruiting to specific posts and high demand for specific expertise such as business analysis and business change, and specific technical skills such as ICT development posts in a competitive marketplace for such skills. Key person dependency - Continuing reductions in staff may lead to increasing reliance on fewer people, some of whom may not have critical knowledge/skills, creating additional pressures at times e.g. unplanned absence; inability to transfer knowledge and skills before key staff leave. Increase in demand arising from level of organisational change and need to deliver efficiencies/savings - There maybe an increased demand for support of which available expertise is limited or competing requirements/expectations. Therefore, support services such as HR and Comms may not be able to meet expectations or deliver to the right level of quality | <ul style="list-style-type: none">- Increase in key person dependency and increased dependency on line managers to deliver a number of technical capabilities.- Lean staffing structures put pressure on staff.- Existing staff health and wellbeing may deteriorate, including morale.- Service demand cannot be met.- Members demand/expectations cannot be met.- Tasks are not completed/delivered and/or critical projects may be halted.- Statutory/regulatory requirements may not be adhered to and deadlines breached.- Reputational damage.- Adverse effect on finances.- Specialist expertise and knowledge is not available to deliver the required duties.- Corporate memory diminishes when staff leave the Council.- Highly skilled technical roles cannot easily be filled- Perception of blame culture leads to senior and/or skilled staff leaving- Inadequate/inappropriate decisions are made by management, resulting on increased involvement by HR and/or other services in a reactive capacity.- Changes may not be made quickly and effectively and/or changes may be made prior to all parties consent.- Poor and risky management practices.- Inability to recruit to key posts that have a direct impact on retaining and growing income in leisure centres restrict potential to grow and achieve income opportunities.- Loss of technical expertise in Democratic Services undermines effective organisational governance. | <ul style="list-style-type: none">- Continued use of graduate and other entry level roles to bring in additional capacity and support 'grow our own' as well as maximising use of apprenticeship funding.- Use of creative approaches to address gaps eg training new swim teachers, maintaining a reasonable pool of casual staff where needed, revisiting core role requirements and redesign of roles where appropriate such as currently across Democratic and Scrutiny Support.- Use of secondment opportunities for staff to gain new skills and experiences across other areas and to build resilience.- More detailed 'deep dive' taking place within Sports Services to review use of casual staff and overtime and consider capacity planning approach.- Recruit to train approach in sport and leisure has been successful and will be continue to be utilised to address turnover and recruitment challenges. | 4 | 4 | 16 | Treat | <ul style="list-style-type: none">- Continue with approach to supporting graduate/entry level roles where appropriate in support of a 'grow our own' approach.- Engage with OD to utilise corporate workforce planning framework to develop a divisional action plan to address the key risks in terms of critical posts and succession planning- Use of DMU internships and other placement opportunities to add short-term capacity and to link with grow our own approach.- Complete work in Sports Services on capacity planning approach and utilisation of casual staff and overtime.- Complete organisational review and redesign of roles across Governance Services | 3 | 4 | 12 | | Miranda Cannon | Ongoing review and prioritisation of critical roles/areas | |
| 14 | ECONOMIC | SRR 2.3 | Delivery, Communications and Political Governance - Age and Condition of Specific Leisure Centres Impact and Implications Council is unable to meet the maintenance requirements and needs of centres which as an adverse impact on service delivery and meeting customer expectations. | LCC unable to fund repairs as buildings fail which creates service disruption and detrimental impact on customers and income. | <ul style="list-style-type: none">- Client account plan in place, close working with EBS, comprehensive leisure centre review undertaken and due to present initial findings and options before Christmas 2023. Corporate Capital bid to address the priority of changing has been submitted. External Sport England capital funding to improve energy efficiency to be submitted. | 4 | 4 | 16 | Treat | Complete and report strategic review. Submit Sport England Bid. Prepare for potential capital works if capital bid approved | 4 | 3 | 12 | | Miranda Cannon / Andrew Beddow | Complete strategic review by 31/12/23 | |
| 15 | LEGAL | SRR 5.1 | Delivery, Communications and Political Governance - Impacts Arising from Future Legislation 'Martyn's Law' - Council is unprepared to respond to the potential requirements of forthcoming legislation related to counter-terrorism and therefore fails in the duty to protect people | <ul style="list-style-type: none">- LCC fails to respond effectively to a terrorist attack and places staff and public lives in danger- LCC services which fall under the scope of the requirements are unprepared and could be subject to enforcement- Additional cost implications and pressure on budgets- Reputational impacts | <ul style="list-style-type: none">-Internal working group in place and has been meeting facilitated by the REBR Team Manager. Review of potential services/buildings in scope completed and a number of other services have been contacted to prompt consideration and preparations. A number of services have already embedded a range of actions including Planning in relation to relevant major development schemes and DMH in terms of staff preparedness and risk assessments. Ongoing monitoring of draft legislation as details are published and REBR Manager attending national network to keep updated. Ongoing communication of details as they emerge. Close working with counter-terrorism Police including training planned for staff and a range of frontline services, and ongoing liaison and support in relation to city events. Update delivered to CMB and also Directors/HoS with support from Counter-Terrorism Policing. | 5 | 3 | 15 | Treat | <ul style="list-style-type: none">- Ongoing support and work with the internal working group and ensuring membership reflects all relevant services | 5 | 2 | 10 | | Miranda Cannon | Ongoing work with internal working group | |

Appendix 3 - Leicester City Council Operational Risk Register

| Risk Register Owner: Alison Greenhill, COO | | | | | | Risks as at: 30/09/2023 | | | | | | | | | | |
|--|-------------------------------|--|--|--|--|-------------------------|-------------|------|----------------------------|--|--------------|-------------|------|------|---------------|--------------------|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE |
| | | | What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | What would occur as a result, how much of a problem would it be, to whom and why? | What are you doing to manage this risk now? | Impact | Probability | Risk | | | Impact | Probability | Risk | | | |
| 16 | POLITICAL | SRR 1.2 | Legal - Workloads & Pressure - Client Care Services within the Council are stretched with increased demands and pressures. Unrealistic deadlines at times can be set for major projects, procurement and contracts. There is a concern that whilst corporate policy is correct and general awareness of correct procedures/rules exists, it may not be implemented effectively within services. | <ul style="list-style-type: none">- Timely legal advice from clients not sought.- Failure to comply with laid down guidelines.- Breach of regulations or law e.g. data protection.- Council found to act unlawfully.- Challenges to procurement processes.- Cost implications from requirements not being followed/deadlines being missed/ not delivering value for money for Council.- Award made against council etc.- Staff demotivated- Negative Press/Reputation of Council | <ul style="list-style-type: none">- Reviewing practices to be improve flexibility of approach.- Channel Shift.- Raising awareness - corporate messages.- Early engagement - feeding into deadlines.- Attending project boards.- Projects to look at new ways of working.- Improved use of technology e.g. Electronic Signatures/Virtual Hearings. | 4 | 4 | 16 | Treat | <ul style="list-style-type: none">- Review of practices.- Increase comms program/training and awareness of current practices (deadlines with project plan). | 4 | 3 | 12 | | Kamal Adatia | June 2024 Ongoing |
| STRATEGIC AREA - Social Care and Education | | | | | | | | | | | | | | | | |
| 17 | ECONOMIC SOCIO-CULTURAL LEGAL | SRR 2.3 SRR 3.1 SRR 3.2 SRR 5.1 | Adult, Social Care and Commissioning - Unable to Deliver savings | <ul style="list-style-type: none">- Impact on corporate budget | <ul style="list-style-type: none">- Clear review with analysis to demonstrate rationale for change to support savings; brief Scrutiny and members- Programme Board governance and control | 4 | 4 | 16 | Treat | <ul style="list-style-type: none">- A coordinated programme of service improvement and efficiencies | 4 | 3 | 12 | | Kate Galoppi | 31.01.2024 Ongoing |
| 18 | ECONOMIC | SRR.2.1 | Children's Social Care and Community Safety - Workforce - availability Diminishing availability of experienced skilled social workers | <ul style="list-style-type: none">- National shortage of qualified SW's impacting on local recruitment- Increased reliance on agency staff to full vacancies- Increased SW case loads- Increased budget pressures;- Lack of continuity of staff in roles | <ul style="list-style-type: none">- Developing a workforce recruitment and retention strategy | 5 | 4 | 20 | Treat | <ul style="list-style-type: none">- ASYE Programme- Apprenticeship Programme- Grow our own Programme- Planning around International Recruitment | 5 | 3 | 15 | | Damian Elcock | 31.01.2024 Ongoing |
| 19 | ECONOMIC | SRR.2.1 | Children's Social Care and Community Safety - Budget Loss and / or reduction of services to achieve budget savings | <ul style="list-style-type: none">- Reduction in preventative services impacting on ability to deliver Statutory services- Inability to deliver Placement Sufficiency- Decrease Capacity / Increase demand- Potential reduction of Staffing levels- Limited ability to deliver some front line services- Potential for future claims against authority | <ul style="list-style-type: none">- Strategic Oversight and clear governance arrangements in place;- SCE Programme Board oversees all budget reduction projects. | 5 | 4 | 20 | Treat | <ul style="list-style-type: none">- Star Chamber oversight regarding saving reductions and undeliverable savings. | 5 | 3 | 15 | | Damian Elcock | 31.01.2024 Ongoing |
| 20 | SOCIO-ECONOMIC | | Education - School collapses due to Reinforced Autoclaved Aerated Concrete failure. Surveys undertaken to determine the risk. These surveys are intrusive and so the schools are unable to remain open while investigations and remedial works are undertaken. | <ul style="list-style-type: none">- Major incident and loss of life- Face to face education cannot be maintained for all or some children- Education is unable to continue on site and new school places will need to be identified and arranged.- Poor education outcomes and staff mental health due to poor and inconsistent accommodation whilst permanent solutions are found.- Impact on school places and school sufficiency- Financial impact on schools and the local authority- Capacity within the council to deliver an effective response | <ul style="list-style-type: none">- Working with the Department for Education to identify and source the provision of temporary and permanent solutions.- These solutions will not be in place until 6 to 9 months from the school closure.- Current ad hoc arrangements are in place for 2 out of 5 schools that may be affected.- For one school these ad hoc arrangements are unsustainable and new arrangements are being sought.- impact on other services who have been displaced due to using their buildings to provide temporary solutions | 4 | 4 | 16 | Treat | <ul style="list-style-type: none">- Work closely with DfE and colleagues in the council to expedite solution for both temporary and permanent solutions. Identify possible places for re-location of schools in this event. Ensure schools have BCP in place that include full closure and the actions required. | 3 | 3 | 9 | | Sophie Maltby | Summer 2024 |
| 21 | SOCIO-CULTURAL | SRR 3.1 | Education - Failure to identify and address cases of children missing from education in a timely manner. This could include children who have left school rolls who have not arrived at their destination school or where they have become electively home educated but where this is not suitable. Also, children whose cases are awaiting investigation due to the volume of cases where parents do not register their child at an allocated school and where school admissions refer to EWS. This has an increased likelihood as a result of Covid pandemic. The new data returns to DfE on CME may attract concern due to the high numbers. | <ul style="list-style-type: none">- Children who are not attending full-time miss out on significant parts of their education.- Children can be "lost" if they are unknown.- ILACS inspection would identify this as a weakness- We do not know where the children are and no-one is following up on their cases.- Harm could come to a child and this would not reflect positively on the LA even if we wouldn't have been in a position to safeguard the child i.e. home educated. | <ul style="list-style-type: none">- We have established a clear protocol for removing from roll which has reduced coerced home education and inappropriate removal from roll.- Education welfare team follow up identified children but this identification can take time. And these families are then tracked if they have moved. Those that are EHE are referred to the Home Education Adviser and due to limited capacity are prioritised for contact.- Families will not be visited to check the suitability of education and the adviser will rely on submitted evidence.- Cases are levelled for risk and prioritised.- New E system has been implemented which has streamlined part of the process where parents are willing to use it.- Volume of cases continues to be a significant challenge and there is a large and growing backlog of cases due to a lack of capacity.- Re return to DfE. we have provided detailed information to DfE to explain why our figures may look high compared to other LAs. | 4 | 4 | 16 | Treat | <ul style="list-style-type: none">- Increase capacity within the home education adviser team either from within EWS, or sourcing external support.- Properly resource the EWS team to enable the volume of children missing from education cases to be investigated and concerns addressed.- Further work is under consideration to reduce numbers of children being withdrawn from schools for the reason of EHE where parents are willing to reconsider.- Request submitted to HR 24/9/23 for a second Home Education Adviser post (agreed at LMB | 3 | 2 | 6 | | Sophie Maltby | 31.01.2024 Ongoing |

Appendix 3 - Leicester City Council Operational Risk Register

| Risk Register Owner: Alison Greenhill, COO | | | | | | Risks as at: 30/09/2023 | | | | | | | | | | |
|--|---|---|--|--|---|-------------------------|-------------|------|--|---|--------------|-------------|------|-------|---------------|-------------|
| RISK REF | RISK THEME / CATEGORY Establish which category the risk falls into using PESTLE definition. See Process tab for more information | LINK TO STRATEGIC RISK Which Strategic Risk does the risk link to? Where relevant, refer to the SRR to establish which strategic risk is impacted by risk identified (Below link provides access to current SRR on SharePoint). Log strategic risk ref no. | RISK What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | CONSEQUENCE/EFFECT: What would occur 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 risk now? | RISK SCORE | | | RESPONSE STRATEGY / ACTION Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE |
| | | https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | |
| 22 | SOCIO-CULTURAL | SRR 3.2 | Education - Pupil Attendance DfE are increasing the statutory responsibilities relating to pupil attendance. Much of this work is currently provided on a traded basis and there is no identified source of funding that could be accessed to negate the impact of ending trading. | - Over £200 of income would be lost with no source of funding to fund the statutory work of the service. | - The risk has been escalated to Senior Managers. The Service is identifying the specific actions that become statutory. - A report is due to be considered at LMB in May. | 3 | 5 | 15 | Treat | - Challenge the DfE to clarify the statutory elements of guidance and no additional burdens decision through collective lobbying with ADCS. - Highlight the need for a growth budget, subject to clarification from DfE. - DfE have confirmed intention is to proceed with plans to increase LA statutory responsibilities - earliest date is Sept 23. - Funding approved via LMB for sustainable model. Urgently need to ascertain likelihood of schools buying in again given this period without traded support. We are aware some Trusts and schools have made alternative arrangements. | 2 | 3 | 6 | £500k | Sophie Maltby | Autumn 2023 |

Appendix 3 - Leicester City Council Operational Risk Register

| Risk Register Owner: Alison Greenhill, COO | | | | | | Risks as at: 30/09/2023 | | | | | | | | | | | |
|--|---|---|---|---|--|-------------------------|-------------|------|--|---|--------------|-------------|------|------|------------|----------------------|--|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE | |
| | | | What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | What would occur as a result, how much of a problem would it be, to whom and why? | What are you doing to manage this risk now? | Impact | Probability | Risk | Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate | | Impact | Probability | Risk | | | | |
| | | https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | | | | | | | | | | | | | | | |
| STRATEGIC AREA - Public Health | | | | | | | | | | | | | | | | | |
| 23 | ECONOMIC | SRR 2.1 SRR 2.2 | Budget Changes to service delivery to operate within increasingly tight financial envelopes comply with allocated budget and increased savings targets. Continued reductions could force termination of services to ensure priority services remain available. If the authorities financial position continues to degrade then increasing financial pressures across the authority contribute to the likelihood that increased level of reserves and funding are taken away from the public health budget to support general council budget pressures following covid, especially in the context of ongoing austerity and the cost of living crisis. Uncertainty over non-recurrent or unconfirmed recurrent funding leads to reduced delivery and higher probability of project failure. Long term sustainability of initiatives is brought into question meaning economies of scale or efficiencies derived from long term planning cannot be capitalised on, Income generation has been impacted by the pandemic and remains in recovery, and the cost of living crisis is reducing the take-up and renewal of paid memberships. For the Live Well portfolio this is hindering the ability to hit targets and increasing budgetary pressures. While the funding gap is currently being met by reserves this is a finite and dwindling resource and the above financial pressures can be expected to increase wider demand on this resource and on reduce the ability to route any funds to reserves amount able to reserved each year. Increased demand for public health services in response to covid recovery, coupled with potential increases in non-covid related health areas resulting from the pandemic, and an emerging cost of living / fuel poverty crisis create resource / capacity strain that cannot be mitigated due to a lack of available budget for extra posts. | <ul style="list-style-type: none">- Public health non-statutory programmes are reduced in size or allocated resource, or closed down altogether creating long term impacts and poorer health outcomes for citizens. This is beginning to present in some areas e.g. tier 2 weight management service has been decommissioned with no replacement provision.- Reputational damage, and reduced credibility and trust of both public health and LCC in communities and voluntary organisations which is difficult to recoup hindering ability to reach specific groups in the city for interventions.- Levels of public health grant diverted to other council areas may draw attention and scrutiny from government and result in judicial review on grant usage if services begin to struggle to maintain adequate delivery.- Reduced ability to deal with emerging public health emergencies, uncertainty in our ability to respond flexibly to unpredictable emerging needs and to ensure stability and sustainability of programmes. This may be exacerbated by the pandemic in the medium / long term when secondary impacts emerge widening public health response needs.- Increased demand on other public services (primary or secondary health care / Social Care / Leisure Centres) leading to knock on stress to other council services and budgets- Risk of missing safeguarding issues impacting on council statutory duties resulting in<ul style="list-style-type: none">- Serious injury or loss of life- Legal challenge- Severe reputational damage- Financial viability of Live Well at risk. | <ul style="list-style-type: none">- Annual public health return to Central Government to demonstrate appropriate use of grant funding- Portfolio restructure and continual review of landscape to ensure we are positioned to meet upcoming needs- Decisions taken to close certain services in order to meet budgets and savings targets.- Employing new commissioning, monitoring, and delivery model for key services to streamline and identify adverse effects. Public health invite and engage with audit services annually as good practice to identify inefficiencies and areas for process improvement.- Bids for funding being written and submitted across the team as opportunities arise, external funding streams or grants utilised to fullest extent to relieve budget pressures as far as possible.- Internal governance to closely manage budgets and ensure intelligent and planned use of reserves over time to ensure maximum efficacy and sustainability- Political oversight / scrutiny- Identifying and articulating associated risks through spending review process- Clinical Governance Process in place for review of providers, performance, and to sense check direction of travel to ensure optimum delivery quality and value for money- Customer retention plans and actions put in place to reduce subscription cancellations from customers unable to use services which would impact income generation- Strong service / programme planning to cover possible funding scenarios, allowing for adaptations to be made at pace.- Volunteer network being built and grown through community champions workstreams. | 5 | 5 | 25 | Treat / Tolerate | <ul style="list-style-type: none">- Continue with existing controls- Secure additional revenue e.g. income generation through commercial opportunities.- Continue to explore a variety of potential local and national funding opportunities including commercial, government, academic, grant funding.- Investigate creation of a resource to help officers bid for funding with more guidance to increase consistency and success rate- Utilise in kind support / asset sharing where possible- Cross organisational opportunity review of priorities and resources ongoing through partnership programmes and system level board pathways. Public health consultant employed to stimulate engagement throughout and across the system.- Continued engagement and growth of various volunteer networks and community organisations.- Business case to outline justification and need for ringfencing reserves to mitigate / respond to any further public health emergencies, and to deal with longer term impacts of covid as they arise. | 4 | 5 | 20 | | Rob Howard | Review by 31/01/2024 | |
| 40 | | | | | | | | | | | | | | | | | |
| 24 | POLITICAL ECONOMIC SOCIO-CULTURAL | SRR 2.1 SRR 2.3 SRR 3.2 | Wider Economy & Supply Chain Brexit / covid related pressures increases prices or reduces availability of IT stock / services / logistics / medicines etc within the supply chain. Increased costs result in contracted services becoming economically unviable for providers. This is already beginning to present in multiple contracts / services. e.g. Emergency hormonal contraception contract with pharmacies previously held by Boots has not seen the incumbent bid on the tender citing it is not cost effective for them to continue without an uplift. Cost of living crisis exacerbates existing inequalities and food / fuel poverty for the poorest and most vulnerable in the city. | <ul style="list-style-type: none">- Changes in financial call / contracts due to fluctuations in drug / treatment market prices making delivery otherwise unviable- Logistical and financial difficulties to delivery for services or programmes.- Prioritisation / decommissioning / reduction of existing service delivery model(s)- Negative impact on population health and reduction in health services pathways available to access- Call on public health reserves- Staff are unable to be supplied with appropriate IT equipment leading to reduced efficacy and wasted capacity- Suppliers are unable to deliver minimum viable output as per contracts, and either underperform or serve notice on contracts.- Financial impact to maintain existing contracts or retender at short notice- Increased capacity pressure impacts on staff and wider portfolios- Economic crisis within the city as households cannot meet rising costs leading to increased levels of food and fuel poverty.- Increase in health issues caused by poor nutrition or cold / damp environments and sustained stress and pressure. Overall reduction in population health.- Static or widening inequalities across the city | <ul style="list-style-type: none">- Internal governance, decision making processes, and budgetary oversight leveraging expertise within team to assess choices and inform management briefings / options appraisal- Strong engagement with national partners to aid horizon scanning and early signposting of potential issues- Good relationships with peers in other organisations are maintained as a matter of course to aid communication and working efficiencies- Contract management team maintain strong relationship with services and stress importance of BCP's to ensure fallbacks and contingencies where possible- Fuel poverty programme launched to raise awareness and signpost support pathways to the most vulnerable. Project manager post recruited to manage and provider currently delivering after a successful tender exercise. Extension option being exercised for an additional 12 months after a successful first year.- Cross organisation working groups set up to communicate, monitor, and manage response | 5 | 4 | 20 | Treat / Tolerate | <ul style="list-style-type: none">- Continue with existing controls and close monitoring of national landscape- Maintain oversight of staffing levels and associated IT requirements and open communication with IT services to inform appropriate actions- Reserve could potentially be used to mitigate short term supply shock.- Alternate IT routes being explored for new starters / initiatives (IGEL / mobile working)- Analysis of need and potential response actions to potential poverty crisis ongoing | 4 | 4 | 16 | | Rob Howard | Review by 31/01/2024 | |

Appendix 3 - Leicester City Council Operational Risk Register

Risk Register Owner: Alison Greenhill, COO

| Risk Register Owner: Alison Greenhill, COO | | | | | | Risks as at: 30/09/2023 | | | | | | | | | | |
|--|-------------------------|--|---|---|---|-------------------------|-------------|------|----------------------------|--|--------------|-------------|------|------|------------|----------------------|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE |
| | | | What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | What would occur as a result, how much of a problem would it be, to whom and why? | What are you doing to manage this risk now? | Impact | Probability | Risk | | | Impact | Probability | Risk | | | |
| 25 | ECONOMIC SOCIO-CULTURAL | SRR 2.2 SRR 3.2 | Staffing and Recruitment - External A national skill shortage and recruitment crisis in conjunction with Leicester being a challenging area in comparison to neighbouring areas creates difficulties in securing appropriately trained professionals within commissioned services and / or partner organisations - in particular Public Health Nurses and Health Visitors. Disruption to workforce of NHS or other partners due to strikes or industrial action. Significant staff loss coupled with recruitment difficulties within commissioned services reduce capacity to the extent that statutory functions or contractual terms are not adequately maintained. Providers struggle to maintain staff levels due increasing payroll costs and budgetary pressures. | <ul style="list-style-type: none">- Impact on front line service delivery of statutory functions- Knock-on impact on capacity and ability to deliver of non-participating staff impacted by strike action- Negative impact on service users- The ability of our commissioned services to provide adequate safeguarding is reduced, leading to an increased risk of support needs not being identified or met, or an increase in likelihood of serious incidents occurring.- This could also present a risk of increase to the likelihood of serious incidents occurring leading to::<ul style="list-style-type: none">- Serious injury or loss of life- Legal challenge- Severe reputational damage- increased strain on existing staff leading to increased turnover, loss of embedded knowledge and experience, and fatigue impacting quality of work. Risk of entering a negative feedback loop (pressure causes staff loss, staff loss causes further pressure etc) further increasing difficulties in securing trained professionals | <ul style="list-style-type: none">- Close monitoring and communication with commissioned services by lead commissioners and Group Manager- Scrutiny and support from contract management team- Commissioned children's service has introduced a skill mix framework to alleviate Health Visitor pressures whilst maintaining adequate safeguarding. This involves splitting post duties and allocating less skilled work to appropriate staff to ease pressure on caseloads and health visitors.- Ongoing work to make Leicester a more attractive location for Health Visitors to attract and retain skilled workers.- Providers to be queried over planned response specifically around occurrence of strike action and widespread loss of staff. How will delivery be maintained / how will affected service users be captured and engaged etc | 5 | 4 | 20 | Treat / Tolerate | <ul style="list-style-type: none">- Continual oversight of supplier Business Continuity Plans and engagement on current pressures / concerns- Continual internal public health BCP review ongoing with consideration given to response in the event of risks presenting- Ongoing close monitoring of suppliers and skill / workforce concerns- Supplier business continuity plans audit to be undertaken in coming months | 5 | 3 | 15 | | Rob Howard | Review by 31/01/2024 |
| 26 | POLITICAL ECONOMIC | SRR 1.1 SRR 2.1 SRR 2.2 SRR 2.3 | Commissioning Reduced budget for services impacts on financial viability to suppliers at the tender stage who may deem package to be unviable leading to a lack of bids reducing competition or tender failing altogether. Suppliers may also not bid on tenders due to staff / skill shortages leaving them unable to meet requirements. This is exacerbated by tight financial envelopes and increased costs due to inflation. In the context of increasing costs and reduced or static budgets, providers could become unsustainable without an uplift or adjustment to the funding received from public health. In conjunction with the below concerning partner organisations and Risk 8 this increases the likelihood that suppliers will serve notice on contracts or be unable to deliver. Services commissioned on activity based contracts are difficult to predict in times of uncertainty and risk under / over provision each of which come with financial and logistical challenges and risks. Partner organisations we joint commission with are restructured or undergo a change in policy resulting in changes which negatively impact our work / agreements or ability of supplier to deliver services. Partners opting to leave or disengage from working agreements adds additional pressures to teams and services. | <ul style="list-style-type: none">- Providers could become unsustainable and serve notice on contracts without an uplift or adjustment to the funding received from public health. Loss of existing contractors due to inability to reconcile increased costs within static or reducing financial envelope.- Failed tenders. Capacity required to assess and alter the specification / tender go to re-spec and go to market again, Disruption to, or reduced / ceased delivery of statutory services. Potential legal and governance implications for LCC if delivery ceased.- Dependent on service, retendering may be extremely difficult given the increased complexity of the landscape as well as the budgetary and time constraints we would be under. Risk of being without a service which would come with legal / governance implications, or having to pay inflated costs for interim delivery.- Reduced competition and sub-optimal suppliers awarded contracts to fulfil needs- Our offer may not be attractive to new providers during tenders; risk of failed procurement or lack of competition leading to sub-standard delivery- Loss or alteration of service provision and impact on community who require service leading to poorer outcomes, increased sickness rates and impact on NHS as demand increases for other services- Decreased morale and reputational damage to LCC- Funding gap leads to other programmes needing to be terminated to balance the budget. Immediate reduced provision and range of services to city residents with unknown long term impacts.- Underspends result from reduced activity that do not reflect underlying / actual budget pressures that will resume when pre-existing baseline is re-established. Budget is reduced or removed based on lower activity costs creating business critical issues when this occurs- Increased costs due to reduction in economy of scale due to | <ul style="list-style-type: none">- Strong forward planning, bespoke procurement methods, and robust internal governance<ul style="list-style-type: none">- Clinical governance board in place for improved oversight and robust governance framework to ensure that commissioned services are robustly reviewed and monitored.- Performance review group provides oversight, early issue identification, and escalation process- Lead Commissioners and contracts team within Public Health undertake regular performance and quality reviews with continual engagement and communication with providers and partners- Timely briefing of lead members to highlight potential risks and consequences- Expertise within team to assess choices, identify and profile future need in a proactive fashion, and inform management briefings / options appraisals- Advocacy by LCC Director of Public Health with national bodies- Provider negotiations - providers have continued to be paid regardless of performance due to the pandemic to ensure the suppliers (and the wider delivery chain) stay afloat- Based on joint analysis between the sexual health service provider (MPFT) and public health regarding financial pressures, continuity funding at 100% of the contract value will be issued and services amended to ensure viability and effective delivery, particularly to identified vulnerable populations. Additional monitoring and ongoing analysis will continue to be conducted.- Close working with internal departments (legal / procurement / contract management / finance)- Services jointly commissioned where possible / appropriate to increase efficiency relating to economies of scale and | 4 | 4 | 16 | Treat / Transfer | <ul style="list-style-type: none">-Continue with existing controls;-Continue to joint commission where appropriate (internal with LCC, and external with county and regionally)- Continued close monitoring of emerging risk from county moving towards an independent / inhouse delivery model or returning to activity based payments to shared suppliers- Continued exploration of new and novel approaches to commissioning including encouraging consortium applications and use of section 75- Continued monitoring and increased engagement of suppliers to pre-emptively identify potential issues- Regularly review Business Continuity Plans to ensure minimal service disruption in the event of supplier failure. | 4 | 3 | 12 | | Rob Howard | Review by 31/01/2024 |

| Appendix 3 - Leicester City Council Operational Risk Register | | | | | Risks as at: 30/09/2023 | | | | | | | | | | | | |
|---|--|--|---|---|---|------------|-------------|------|--|--|--------------|-------------|------|------|------------|----------------------|--|
| RISK REF | RISK THEME / CATEGORY <i>Establish which category the risk falls into using PESTLE definition. See Process tab for more information</i> | LINK TO STRATEGIC RISK <i>Which Strategic Risk does the risk link to? Where relevant, refer to the SRR to establish which strategic risk is impacted by risk identified (Below link provides access to current SRR on SharePoint). Log strategic risk ref no.</i> | RISK <i>What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives?</i> | CONSEQUENCE/EFFECT: <i>What would occur as a result, how much of a problem would it be, to whom and why?</i> | EXISTING ACTIONS/CONTROLS <i>What are you doing to manage this risk now?</i> | RISK SCORE | | | RESPONSE STRATEGY / ACTION <i>Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate</i> | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE | |
| | | https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | | |
| 27 | POLITICAL LEGAL | SRR 1.1 SRR 1.2 SRR 5.1 | Policy / Governance / Partnerships Population health and the wider determinants of health impact, and are impacted by, a broad range of activities LCC undertakes. There is an opportunity to increase the focus on the public health aspects of service area activities and aid in corporate strategy / policy discussions. By engaging more strongly with service areas that impact wider determinants and creating a 'health in all policies' culture across the Council health outcomes across the city could be significantly improved by leveraging a multiplier effect that PH could not achieve alone. Risk is that this is not supported or implemented in a timely fashion and the opportunity is lost. Ongoing budgetary pressures and savings targets across LCC may lead to public health focus and engagement being deprioritised within service areas. Service areas with public health impacts (Housing / Transport / Sports etc) experience cuts to budgets and programmes leading to delivery challenges and knock on health impacts across the population that then require additional resource to manage and tackle in the longer term. External national imperatives are introduced without associated budget creating difficulties in local delivery, or national policy changes impact existing work or ability to respond in a place appropriate manner. Changes in structure / leadership to partner organisations i.e. PCC elections or changes to working agreements with city organisations impact project outcomes or hinder engagement / reach of community support work. Some aspects of the divisions work are undertaken in partnership with other service areas or organisations and are reliant on their capacity or capital to function effectively and achieve marketing or delivery goals. Risk of factors outside of our controls hampering programme success. Governance structures surrounding funding allocations and sharing between | - Reduced outcomes over time lead to long term budgetary and resource drain that could be reduced by small tweaks to wider LCC activities - Reduced influence on corporate policies and strategy, and significant potential for improvement to wider determinants not capitalised on - Reduction of, or failure to realise improvements to, health outcomes for city residents. - Call on finances from NHS pay award, reducing available budget for existing work - Logistical difficulties to delivery for services or programmes. - Prioritisation / decommissioning / reduction of existing service delivery model - Call on public health reserves - Change in leadership may result in changes to organisations agendas which may negatively impact our work, agreements, and ability to deliver. - Reduced efficacy as work is not tailored to the local area or possible efficiencies by operating collaboratively in cross geographical areas is not leveraged - Partners organisations operate outside of the spirit of agreements placing undue financial or capacity strain on LCC teams (e.g. County not paying rent to the SH service due to a loophole, OPCC being unresponsive in renewal of suicide bereavement service) | - Internal governance, decision making processes, and budgetary oversight leveraging expertise within team to assess choices and inform management briefings / options appraisal - Advocacy by the Director of Public Health with local and national bodies - Close relationships built and maintained with service areas around the organisation. Capacity has been added to the team to increase corporate engagement - Strong engagement with local and national partners to aid horizon scanning and early signposting of potential issues - Strong engagement, communication, and partnership working maintained with system partners and the Health & Wellbeing Board membership - Good relationships with peers in other organisations are maintained as a matter of course to aid communication and working efficiencies - Specific workstreams created within the division to engage partners and to embed Public Health considerations in day to day operations | 4 | 4 | 16 | Treat | - Continued: - Political escalation - Corporate responsibility - Service & budget planning - Utilisation of partnership approach - Continued exploration of alternative treatment / therapy options or approaches within services or by programmes - Safeguard public health reserves in order to preserve ability to provide adequate response without significant detriment to corporate purse - Continued monitoring of medical landscape, and updates to guidance and clinical standards - Continued presence within LCC and corporate engagement to provide visibility to public health concerns and considerations that work of discrete service areas may unknowingly be able to positively impact | 3 | 4 | 12 | | Rob Howard | Review by 31/01/2024 | |
| 42 | | | | | | | | | | | | | | | | | |
| 28 | ECONOMIC SOCIO-CULTURAL | SRR 2.2 SRR 3.2 | Staffing and recruitment - Internal An emerging recruitment crisis across a variety of sectors creates difficulty, both within public health and our commissioned services or system partners, in securing sufficient staff with the appropriate skills and experience to meet the immediate public health challenges posed by covid response and recovery, and emerging issues. Unsuccessful recruitment (increased in likelihood due to the above point) or approval to recruit delays for existing and new posts cause capacity and timeframe pressures on ongoing delivery and rollout of new initiatives that would benefit from proceeding at pace. Key staff leave the division or move into new posts within the division creating disruption, risk increased if multiple departures simultaneously. Potential risks to wider public health aims or outcomes if significant losses in other LCC service areas. Capacity increase within the public health division is being outpaced by the broadening of scope and increased need that is resulting from current societal context - this is exacerbated by financial pressures and difficulties in recruitment. | - This is currently presenting with a number of senior roles being vacated and needing to be filled creating capacity and continuity pressures. While our existing plans, investment into staff and wider training, and support networks have significantly lessened the impact gaps in post are creating additional pressures. - Increased demand on remaining capacity impacting on team morale. The health and wellbeing of existing staff is impacted resulting in individual burnout or increased staff turnover. - Loss of key specialist skills, knowledge and expertise, and working relationships that are very difficult to replace due to national shortage of skilled workers - Significant loss of capacity means programme targets are delayed or not achieved, or need to be revised downwards to match ability to deliver. - Cover for posts splits capacity between existing workstreams negatively impacting both. - If demand and workloads are consistently high for extended periods existing staff do not gain a breadth of public health experience. This could result in an under skilled workforce, or increased turnover as further development is sought after by individuals (with associated difficulty in sourcing adequate replacements for posts). - Negative impacts on delivery of work and an inability to meet emerging objectives of individual services as well as divisional strategic objectives. - Reduction in ability to front run issues and adequately assess complex situations before being required to act. - Loss of in-year funding available if staff / initiatives cannot be put in place in a timely fashion | - Close management and oversight of individual workloads and projects - General training and development opportunities and organisational development utilised - Upskilling team - public health supporting staff to undertake a Masters in Public Health and for staff to follow work based public health training pathways - Specific courses identified and allocated to appropriate staff. Mandatory and suggested training framework created and rolled out across the team. Reviewed and managed across the division to ensure all staff are in compliance with minimum training requirements and are encouraged to develop skills and knowledge as required. - Early identification of potential staffing needs / vacancies with early engagement with HR to ensure timeframes to recruit are sensible -Capacity in across the team increased and analysis of need ongoing. - Team restructure undertaken to more efficiently redistribute capacity and portfolios - Increased team awareness at all levels of importance of self care, with support offered necessary. Ongoing team building events / exercises in place to aid wellbeing and an internal pastoral support scheme has been implemented to ensure support pathways are available to those who require it. - Recruitment concerns escalated | 4 | 4 | 16 | Treat | - Continual audit of needs and skills against public health key skills framework to identify and fill key knowledge and skills gaps across division - Produce a public health workforce strategy including succession planning. Task and Finish group being set up to work on this and we are linking in with regional and national Public Health workforce planning initiatives. - BCP review and update regularly scheduled to ensure succession planning and key staff availability plan is adequate. - Ongoing identification of single points of failure and planning / documentation to mitigate risk of project lead unavailability - Consideration within service plans for posts and building in long time scales for recruitment as standard practice to be considered in forward planning - Continued monitoring of capacity needs and fixed term recruitments to mitigate issues where appropriate - Continued focus on employee wellbeing and provision of adequate support where necessary | 4 | 3 | 12 | | Rob Howard | Review by 31/01/2024 | |

Appendix 3 - Leicester City Council Operational Risk Register

Risk Register Owner: Alison Greenhill, COO

| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK Which Strategic Risk does the risk link to? Where relevant, refer to the SRR to establish which strategic risk is impacted by risk identified (Below link provides access to current SRR on SharePoint). Log strategic risk ref no. | RISK What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | CONSEQUENCE/EFFECT: What would occur 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 risk now? | RISK SCORE | | | RESPONSE STRATEGY / ACTION Select from the 4T's (see Process worksheet for definitions and further guidance): Tolerate, Treat, Transfer, Terminate | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE |
|----------|------------------------|---|--|--|--|------------|-------------|------|--|--|--------------|-------------|------|------|------------|----------------------|
| | | | | | | Impact | Probability | Risk | | | Impact | Probability | Risk | | | |
| 29 | TECHNOLOGICAL LEGAL | SRR 4.2 SRR 4.3 SRR 5.1 https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | <p>Data</p> <p>Complex data sharing agreements with external organisations not in place or understood by officers which restricts information flow into public heath required to deliver objectives.</p> <p>Increased data access implemented during covid is withdrawn once BAU returns, leading to reduced data provision and less timely / accurate reporting. National datasets are released sporadically creating variable capacity needs that are difficult to plan for.</p> <p>Self reported data that is difficult to verify for activity based contracts leads to uncertainty over financial position and potential over payments</p> <p>Increased appetite for data and ongoing reporting needs due to covid have hindered ability to deliver BAU reporting functions and caused a backlog of Health Needs Assessments awaiting completion / attention.</p> <p>Updated NHS Patient Safety Incident Reporting Framework is incompatible with LLR Serious Incident Reporting Protocol negatively impacting data availability and workflow surrounding reporting of incidents. Risk that we lose sight of incidents / cases and are unable to assess provider quality and contract performance adequately.</p> | <ul style="list-style-type: none">- Delay or complete stoppage in obtaining information required to make timely decisions for service users.- Distress to service users- Reputational damage to LCC- Potential financial burden or incorrect overspend for activity- Potential litigation claims for failure to deliver- Increased stress on LCC staff- Difficulties in workload management and timely production of existing reports and statutory functions as well as making capacity management difficult.- Impact on service delivery and response agility- Reduced data provision and indicators potentially being missed or identified later than they may have been delaying (or preventing) mobilisation.- Negative impact on our ability to both proactively and reactively manage NHS providers that we commission to deliver services due to reduction of oversight and visibility of issues arising in NHS providers for all of PH / LCC. Analysis and ongoing management of service quality is severely hampered without insight or access to incident data.- Obfuscation and extension of timelines for responses and investigations into serious incidents increase the likelihood of unsatisfactory outcomes for users as well as increased waiting times | <ul style="list-style-type: none">- Work-around arrangements in place with key organisations to share basic information- Working with wider network of organisations to establish data sharing protocols and file transfers- Engagement with information governance to ensure that any risks of data sharing are identified and managed.- Increased relationship building and engagement across system partners- Continued close communication and engagement with Integrated Care Board / Leicestershire Health Informatics Service (LHIS) regarding the issues surrounding data availability and access.<ul style="list-style-type: none">- Data sharing agreement recently secured with LHIS that will allow for direct access to anonymised GP data in order to better track performance and volumes. This is currently embedding with positive results on the payments aspect in terms of accuracy and assurance. Data streams for performance analysis are still being assessed to ensure accuracy and are expected to be available for use in the near term. An independent audit is underway to assess these workflows and processes.- Close working relationship with IT, procurement, and information governance to establish and maintain data sharing agreements with services external to LCC- Additional resource added to data function- Close working relationship with LPT as 0-19 provider with the aim of maintaining adequate management oversight with visibility of reports and attendance of weekly oversight meetings. Additional agreements are being built into the new Section 75 contract with LPT to ensure robust governance is | 4 | 4 | 16 | Treat / Tolerate | <ul style="list-style-type: none">- Ongoing engagement with information governance and partners to resolve existing and arising issues- Undertake an exercise to identify all organisations and data needs and perform gap analysis- Ongoing horizon scanning of other services where NHS Patient Safety framework changes could become an issue (potential to effect all NHS services and generate complications when commissioning procurement of new services).- Continue to work with providers to understand implications of NHS Patient Safety framework changes on services, and liaise with multi-agency partners to plan a way of managing this. Continued close contractual oversight with LPT to ensure current level of visibility for 0-19 contract is maintained- Agree a corporate LCC stance on NHS Patient Safety framework changes | 3 | 3 | 9 | | Rob Howard | Review by 31/01/2024 |

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Appendix 3 - Leicester City Council Operational Risk Register

| Risk Register Owner: Alison Greenhill, COO | | | | | | Risks as at: 30/09/2023 | | | | | | | | | | |
|--|-------------------------|--|--|---|--|-------------------------|-------------|------|----------------------------|---|--------------|-------------|------|------|------------|----------------------|
| RISK REF | RISK THEME / CATEGORY | LINK TO STRATEGIC RISK | RISK | CONSEQUENCE/EFFECT: | EXISTING ACTIONS/CONTROLS | RISK SCORE | | | RESPONSE STRATEGY / ACTION | FURTHER MANAGEMENT ACTIONS/CONTROLS | TARGET SCORE | | | COST | RISK OWNER | TARGET DATE |
| | | | What is the problem; what is the cause; what could go wrong? What is it that will prevent you from achieving your objectives? | What would occur as a result, how much of a problem would it be, to whom and why? | What are you doing to manage this risk now? | Impact | Probability | Risk | | | Impact | Probability | Risk | | | |
| 30 | ECONOMIC SOCIO-CULTURAL | SRR 2.2 SRR 3.1 (although growth in demand is also due to knock on impacts from the pandemic not just cost of living and population growth) SRR 3.2 https://leicestercitycouncil.sharepoint.com/sites/sec025/SitePages/Risk-management.aspx | Health Protection / Covid 19 Variant strains or other diseases emerge requiring a significant response, further local lockdowns, preventative measures, or a continuance of efforts that have been tapered off. There is only a single Infection Prevention Control (IPC) Specialist within public health that works on a part time basis providing all IPC support to the city, with no budgetary scope to provide additional capacity. This is a significant bottleneck and single point of failure. This risk has since presented and from the end of October there will be no IPC support for settings across the city while this specialist post is recruited to. A secondary impact of the pandemic may be other health aspects experiencing significant increases in occurrence as a knock on effect i.e. mental health, substance use, obesity, oral health that require increased resource to tackle Reduced access and low take-up of offered services during the pandemic impacts long term health outcomes, widens inequalities, and reduces opportunity to create income to reduce budget pressures. Further risk that low uptake / referrals that resulted from covid persist negatively impacting outcomes and inequalities. | - Negative impact on resident health and wider public health outcomes and improvements - Significant operational impact on division in the event of a scenario comparable to Covid 19 - Potential variant or other disease cause large increase in case numbers that are unreported lead to further pandemic duration / restrictions. Increased infection rates mean further local lockdowns or preventative measures are enacted. - Further lockdown or restrictive measures would decrease morale across the city, hinder general recovery efforts, and create difficulties for LCC operations - Inadequate capacity and single point of failure for IPC operations means - Service objectives not achieved/service not provided. Increased outbreaks in vulnerable settings. - Pressure on sole member of staff to provide an unreasonable level of cover for one person - Reputational damage to the authority if outbreaks poorly managed - Reduced ability to 'Live with Covid', recover, or respond quickly to contain future outbreaks - Potential serious impact on health and wellbeing of whole population, particularly those most vulnerable - Reputational damage to the authority if outbreaks poorly managed - If covid secondary impacts activities persist without associated funding from Treasury to support this will create significant budget pressures. - Static or widening health inequalities - Needs increase over the longer term as a result of secondary impacts requiring increased (and sustained) resource and budget to tackle | - Continued monitoring of covid data and national landscape - Monitoring of at risk health areas to determine level of future need when pandemic subsides - Consultants appointed to lead on health inequalities and system wide engagement and health protection, and covid response / recovery - Health Protection team / function created within the division with a focus on supporting settings with infection prevention control processes and managing incidents as they occur nationally and across the city - Forward planning of recruitment and mitigation of impacts of gap in IPC provision - Service objectives set within context of limited capacity - Close relationship with social care teams to share capacity burden where appropriate - Training activities being built in to existing service to increase skills and knowledge of social care and care home staff - Sustained messaging reiterating the continued importance of following the national guidance to increase awareness - Horizon scanning and forward planning to intelligently balance potential resource pressures and safeguard agility in the event of a call to action against current needs and financial state | 5 | 3 | 15 | Treat | - Continue with existing controls - Ongoing assessment of priority areas to continually determine needs and enable a timely data driven response - Continued close monitoring of outbreak data - Continued engagement with settings in the city to maintain standards and encourage continual improvement. Communications to be undertaken with all settings to signpost gap in provision and advice and guidance on where to go to for support if required. - Community wellbeing and vaccine champion programmes created and currently embedding to promote education and awareness of both covid and general health information - Service evaluations over time to inform discussions with partner teams. - Assess options to increase capacity. | 4 | 3 | 12 | | Rob Howard | Review by 31/01/2024 |

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Financial Update Report

Governance & Audit Committee

Decision to be taken by: N/A

Date of meeting: 22 November 2023

Lead director: Amy Oliver, Director of Finance

Useful information

- Ward(s) affected: All
- Report author: Kirsty Cowell
- Author contact details: Kirsty.Cowell@Leicester.gov.uk
- Report version number: 1

1. Summary

- 1.1. To provide an update on the progress of the statement of account and present external audits findings for 2022/23.
- 1.2 To provide an overview of the error made in collecting direct debits in June and the corrective action taken.

2. Recommended actions/decision

- 2.1 The Committee is asked to note the contents of the report and external audits findings.

3. Background

3.1 The Accounts & Audit (England) Regulations 2015 require that the Council presents its audited Statement of Accounts along with its Annual Governance statement for approval annually by the 31 July. This is delegated to the Audit and Risk Committee by Council. For the 2022/23 accounts, this deadline was extended to the 30 September due to issues being experienced in the local authority audit sector. This extended deadline will continue until the 2027/28 accounts are completed.

3.2 The draft (unaudited) 2022/23 accounts were considered by the Governance & Audit Committee on the 19 July 2023.

3.3 There was an incident on direct debit collection on 1 June 2023 where the individual's repaying debt by instalment plans were overcharged the full outstanding balance instead of the monthly repayment amount. This report will provide an update on the incident.

4. Detailed report

Update on the progress of the external audit for 2022/23

4.1 The external auditors report detailing their findings can be found at Appendix A, which provides an update progress of the (ongoing) audit of the accounts for 2022/23, and significant findings to date. The external auditors envisage issuing an unqualified (positive) audit opinion.

4.2 There are a number of outstanding pieces of work identified, at the time of writing, the most significant is around our valuations of land and buildings. This has also been an issue in previous

audits. The issues relate to difficulty in providing supporting evidence. This has led to additional work being undertaken, including revising valuations. On an initial assessment, the revised valuations may lead to a material audit adjustment to the value of assets in the accounts. Although material for the accounts this has no impact on the money the Council has available to fund services.

4.3 Officers are continuing to work on these matters and liaise with the external auditors where appropriate, with the overall aim of bringing the final audited set of accounts for the Committee to approve at the January meeting.

4.4 There are several other errors/issues identified that have no impact on the Councils overall financial position.

4.5 There are recommendations in the report for improvement in our closedown process. A plan will be put together identifying relevant changes and improvements. A report will be provided on progress to the Committee.

4.6 The Committee should however note that the national deadline of 30 September 2023 for the publication of 2022/23 audited accounts has not been met. Nationally, only 1% local government audited accounts were published by the deadline, reflecting the technical and audit challenges across the sector. It is also important to note there will not be any financial penalties incurred by the Council for not meeting the deadline.

4.7 The Committee may also wish to note that the auditor continues to work on the Value for Money and have notified the Chair of the Committee of the delays in providing the report, which is expected to be published no later than 28 February 2024.

Update on the Direct Debit Incident 1 June 2023

4.8 Leicester City Council (LCC) collects other income for goods and services provided through the main finance system. The main types of debt include:

- Overpaid Housing Benefits
- Leaseholders Charges
- Adult Social Care
- Commercial rents

4.9 For some of these debts we allow payment plans to the spread charges over the year or to support those who are struggling to repay the debt, and this could be over several years. Some will make these payments using direct debits.

4.10 The incident was identified on 31st May 2023 (which is day 2 of the bacs processing cycle), where individuals repaying debt by instalment plans were overcharged the full outstanding balance instead of the monthly repayment amount. There was a total of 2,526 payers in the incorrect collection file totalling a value of £3,345,402. The correct file should have been for 2,508 payers for a total value of £774,954.

4.11 On the day the error was identified, we worked closely with the bank to resolve and arranged refunds for the same day the payments went out of the individuals bank accounts to comply with the direct debit guarantee. This did include the amounts that should have been collected.

4.12 However, this also led to us refunding some direct debits that had not been paid. We instantly started contacting customers and arranged with banks wherever possible for the money to be returned. These have been recovered via banks, direct repayment, or invoices, there is £60k to still be recovered at the 13 October 2023, of which £40k is on payment plans.

4.13 Communications were issued following the incident, which included letters to all affected customers, a press release, and a banner on the Council's website.

4.14 A review of the incident was commissioned from internal audit into the cause of the incident and of the controls in place to prevent a reoccurrence. The review confirmed a number of factors led to the incident; the key issues were:

- Lack of secondary checks by a senior member of staff.
- Out of date procedure notes were followed.
- Inadequate handover following key members of staff leaving the team.
- Lack of staff training

4.15 The review identified additional controls have been implemented since the incident including:

- recruitment of an additional staff
- training across the team
- updated procedures
- review to exclude no single point of failure

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

5.1 Financial implications

The financial implications are contained in the report.

5.2 Legal implications

There are no direct legal implications arising from this report.

Kamal Adatia, City Barrister Ext 1401

5.3 Equalities implications

The report provides an update on the progress of the external audit for 2022/23.
There are no direct equalities implications arising from the report.

Equalities Officer, Surinder Singh, Ext 37 4148

5.4 Climate Emergency implications

There are no significant climate emergency implications directly associated directly 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?)

N/A

6. Background information and other papers:

7. Summary of appendices:

Appendix A – Grant Thornton - Audit Findings for Leicester City Council

8. 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

9. Is this a “key decision”? If so, why?

No

The DRAFT Audit Findings for Leicester City Council

Year ended 31 March 2023



Contents



Your key Grant Thornton team members are:

Grant Patterson

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Section

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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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This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents will be discussed with management and the Governance and Audit Committee.

[Signature to be inserted on issuance of final report]

Name: Grant Patterson

For Grant Thornton UK LLP

Date:

1. Headlines

53 This table summarises the key findings and other matters arising from the statutory audit of Leicester City Council Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2023 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS) and Narrative Report) is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

Our audit work was undertaken via a hybrid approach of remote and on site working from July to date. Our findings are summarised on pages 3 to 30.

Audit adjustments made to the financial statements are detailed in Appendix E. From the work done to date the impact of these adjustments on the statement of financial position is £16.7m but there are other adjustments that need to be made, for which we have not yet had the workings, (being pension adjustments and highways infrastructure depreciation). Therefore, this figure is likely to change and there will be an impact on the Council's net expenditure position, but not on the general fund. However, as noted below, as there are some elements of work still to complete, we may identify further adjustments.

There are also misstatements we have identified from our work, that the Council are not minded to amend the accounts for, which have a net impact on the comprehensive income and expenditure statement of £3,215k.

We have also raised recommendations for management as a result of our audit work. These are set out in Appendix C. Our follow up of recommendations from the prior year's audit are detailed in Appendix D.

At the time of writing there are elements of work that are still outstanding, most notably in respect of Property, Plant and Equipment (PP&E). This is due to several factors, but particularly a change in personnel, coupled with a lack of documentation, has led to the valuations team redoing an element of the valuation work, as the previous work could not be supported. We have been reporting issues in the valuation process since 2019/20, recommending each year that the Council improve in this area and it is disappointing to have such findings recur.

Additionally, the identification of a number of errors in our sampling, has led to additional work, and in some cases, extended testing in the areas of valuation of council dwellings, grants, debtors, additions, expenditure completeness, FTE data and journals.

A summary of work outstanding is set out on page 6, with further detail set out in the coming pages.

To date there are no matters of which we are aware that would require modification of our audit opinion [Appendix I], subject to satisfactory resolution of the matters under query, but there may be material changes required to the financial statements on completion of our work on PP&E as well as our extended substantive testing.

We have concluded that the other information to be published with the financial statements, is consistent with our knowledge of your organisation and the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. Our work on the Council's value for money (VFM) arrangements is not yet complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR), though we have reported interim findings later in this report at [page 33](#). We are satisfied the work yet to be completed does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council'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 Council's arrangements under the following specified criteria:

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

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor's Annual Report. An audit letter explaining the reasons for the delay, as emailed to Councillor Manjit Kaur Saini on 29 September 2023, as Chair of the Governance and Audit Committee is attached in the Appendix I to this report. We expect to issue our Auditor's Annual Report by 31 January 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified a risk in respect of financial sustainability. Our work on this risk is underway and an update is set out in the value for money arrangements section of this report (Section 3).

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We will be unable to certify completion of our audit until the following pieces of work are complete:

- we have received one objection in relation to the 2022/23 financial statements, in relation to Selective Licensing, the work for which is currently underway.
- publication of our Annual Auditor's Report, containing commentary on the Council's VFM arrangements.

While, not an objection, we received queries from an interested party pertaining to related party disclosures, which we have considered as part of our audit procedures. Our findings will be provided in due course.

Significant matters

As noted on page 3 we continue to encounter significant difficulties in our audit of the Council's PP&E valuations, specifically its other land and buildings, which are valued by the Council's internal valuation team, as detailed on pages 14 and 15 of our report.

As a result of this, as well as to reflect time spent on additional testing to gain appropriate assurance following fails identified in our sample testing, we will be raising a fee variation. This is set out in further detail at Appendix E.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021/22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated. Please see [About time? \(grantthornton.co.uk\)](https://www.grantthornton.co.uk/about-time/)

The level of audit work required has increased significantly in the last few years reflecting the raised bar of audit quality standards and we recognise that this has impacts on the level of questions and queries raised, as well as the quantum and robustness of evidence expected. While there are outstanding issues yet to resolve, we would like to acknowledge the support of the Council in working with us thus far.

National context – level of borrowing

55 All Councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on Council budgets, there are concerns as Councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on Councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

The Council is historically risk averse in this way (it does not have investment properties for instance), and we have not identified any areas of concern at the Council from the work done to date. However, as noted later in this report, financial sustainability is becoming ever more challenging for the Council. In seeking to identify alternative methods of balancing the books in the future in the face of high costs and high demand, the Mayor and Council need to be alert to the risk that decisions could be made, which may benefit in the short-term but have longer term disadvantageous implications i.e. on the Council's minimum revenue provision for example. The Mayor and members will therefore need to ensure their arrangements continue to support making decisions, which are informed, and affordable in the longer term.

1. Headlines

Status of the audit: the outstanding matters as at the time of writing are set out below.



- PP&E – valuations of other land and buildings: receipt of evidence in support of assumptions applied
- PP&E – valuations of other land and buildings: further explanation of consideration of assets not revalued, to ensure their carrying value is not materially misstated as at the balance sheet date
- PP&E – management considerations of the impact of Reinforced Autoclaved Aerated Concrete (RAAC) on the Council's estate
- PP&E – management responses to the queries raised by the auditor's expert valuer on the approach to the valuation of other land and buildings
- PP&E – management responses to the queries raised by the auditor's expert valuer on the approach to the valuation of council dwellings
- PP&E – review of responses to our queries on the application of indexation to the valuation of council dwellings
- Grant income - review of management's consideration of the fails identified in our testing – further testing may be required



- PP&E – response to final query of our extended sample in relation to misapplication of beacons in the valuation of council dwellings
- PP&E - consideration of the two additions sample items which have been accounted for incorrectly – likely to lead to further testing
- receipt of evidence to support the extended sample of debtors
- replies from various finance officers (9 in total) in response to our extended journal enquiries
- review of management's consideration of the application of IFRIC14 on the Council's pension asset/liability further to initial responses from the Council's actuary



- review of the response from the pension fund auditor
- completion of our testing on creditors, which is subject to provision of appropriate supporting documentation
- response to queries on the Council's bad debt provision
- responses to minor queries in relation to heritage assets, the bank reconciliation, PFI inflation
- receipt of the Council's going concern assessment
- provision of updated financial statements
- obtaining and reviewing the management letter of representation
- updating our post balance sheet events review, to the date of signing the opinion, including consideration of any updates to the Council's disclosed contingent liabilities and whether any additions to the Council's provisions balance is required (based on outcome of any legal cases for instance)

Status

- High potential to result in material adjustment or significant change to disclosures within the financial statements
- Some potential to result in material adjustment or significant change to disclosures within the financial statements
- Not considered likely to result in material adjustment or change to disclosures within the financial statements

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management and will be discussed with the Governance and Audit Committee.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included: an evaluation of the Council's internal controls environment, including its IT systems and controls; and substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

The work reported on aligns with the audit plan, as communicated to you on 27 September 2023.

Conclusion

We have completed a substantial amount of work as part of the audit of your financial statements, though as noted on the previous page there are still several matters that need to be resolved. If these are resolved satisfactorily (and any resulting amendments made appropriately to the financial statements), we anticipate issuing an unqualified audit opinion, as detailed in Appendix I. We will update the Committee verbally of progress against these matters at the meeting on 22 November 2023.

Acknowledgements and summary findings

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

As highlighted on pages 3 and 4, during the course of the audit both your finance team and our audit team faced significant challenges, such as:

- Lack of evidence to support the valuations of other land and buildings for the obsolescence factor applied
- Error identified in capital debtors leading to additional testing
- Error identified in receipts in advance with an offsetting error in debtors leading to additional testing
- Consideration of errors below the Council's accrual de minimis level in its agency costs expenditure as well as in its debtors balance
- Consideration of expenditure incurred post year end that should have been accounted for in the 2022/23 financial year but wasn't, leading to additional testing

- A starting employee at the Council was input incorrectly into the payroll system for April. This was corrected in the following month, but as we rely on this data being accurate for our payroll testing, we extended our sampling of starters to gain assurance that this error was not pervasive
- Evidence was provided to us as part of our journals testing indicating that a senior officer was posting to the ledger by proxy (ie asking someone else to post something they themselves had prepared). This led to additional audit procedures being undertaken.
- We identified in our testing of council dwellings that a 2-bedroomed property had been misclassified into a beacon for a 6-bedroom property. We extended our sampling to gain assurance that this error was not pervasive.
- We identified in our testing of the valuation of council dwellings that, as last year, for timing reasons, the valuations are performed using the most recent information available which is prior to the year end. We asked the Council to revisit the valuations taking into account the updated information as at the year end, which showed that the valuation would move materially. This led to additional audit procedures being undertaken.
- We have recently received evidence that indicates there are errors in the Council's treatment of grant income as well as additions. This is likely to lead to further testing.

These matters have resulted in us incurring additional costs, as summarised in Appendix E to gain sufficient and appropriate audit assurance in respect of our auditor's opinion on the financial statements.

2. Financial Statements



Our approach to materiality

The concept of 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.

Materiality levels remain the same as reported in our audit plan on 27 September 2023.

We set out in this table our determination of materiality for Leicester City Council.

Council Amount (£) Qualitative factors considered

| | | |
|---|------------|---|
| Materiality for the financial statements | 16,400,000 | Benchmarked to 1.4% of the Council's gross expenditure. We have determined this to be the level of misstatement which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. |
| Performance materiality | 10,660,000 | This drives our sample sizes. It is based on 65% of the headline materiality. This is a reduction from the default of 75% to reflect the level of errors identified in the previous year. |
| Trivial matters | 820,000 | At 5% of headline materiality, this is the value above which we will report misstatements to the Governance and Audit Committee, as those charged with governance. |
| Materiality for senior officer remuneration | 25,737 | We have applied our headline materiality % of 1.4% to the total senior officer remuneration value of £1.8m, as this disclosure is particularly sensitive and of interest to the reader. |



2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

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| Risks identified in our Audit Plan | Commentary |
|--|---|
| <p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumption that the risk of management override of controls is present in all entities.</p> <p>The Council faces external scrutiny of their spending and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, and in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>We</p> <ul style="list-style-type: none">• evaluated the design and implementation of management controls over journals• analysed the journals listing and determined the criteria for selecting high risk unusual journals• identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration• gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness• reviewed and tested items identified as part of transactional testing to ensure they have been appropriately charged to either the General Fund or the Housing Revenue Account (HRA) as appropriate <p>Findings</p> <p><u>Journals authorisation process</u></p> <p>We reported to you in our audit plan and at prior audits that there continues to be a lack of an established approval process for journals which places heavy reliance on the expectation for the Council's day-to-day activities to identify and correct any improper postings. The Council is aware of this, and officers perform retrospective review of a sample of journals posted. We have reviewed documentation evidencing this review and are satisfied that this is in place. Nevertheless, this represents a control deficiency which the Council is willing to tolerate but which we took consideration of in our approach by increasing the number of journals selected for review. We identified no instances of management override from this review. However, this control deficiency also impacts our findings in respect of journal inquiries overleaf. See page 10 for more detail.</p> <p><u>Unit 4: Segregation of duties</u></p> <p>As in prior year, the review performed by our IT audit colleagues identified four unique users of the Unit 4 application, who hold both administrative access and financial responsibilities to the Unit-4 application via 'AG-SYSTEM' role. This poses a conflict in terms of Segregation of Duties (SOD), as these users have the ability to perform actions that could potentially compromise financial data and violate internal controls. This findings has been reported to the Council in previous years and the risk accepted on the grounds that this access is required for the smooth and effective functioning of the Council's processes and procedures. Nevertheless, this represents a control deficiency. We have mitigated against this deficiency by analysing the journals posted by these individuals and selecting those that appeared unusual for further testing. From the work performed, we identified no instances of management override.</p> |

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

| Risks identified in our Audit Plan | Commentary |
|--|--|
| Management override of controls (continued) | <p><u>Consideration of General Fund and HRA</u></p> <p>We are satisfied that we have not identified any breaches of the HRA ringfence from the work performed.</p> <p><u>Journal inquiries</u></p> <p>Evidence in support of one or the journals tested, demonstrated that a senior officer (which we defined as being Chief Accountant and above) had posted to the ledger by proxy (ie by asking another officer to post something on their behalf, something that they themselves had prepared). We would usually not expect senior officers to be posting to this ledger and therefore consider this to be an override of control. We extended our inquiries and identified a further 7 officers who confirmed they had posted on behalf of someone else. We are reviewing the journals in question to ensure that they are valid and represent appropriate business activity.</p> <p>Given that the Council has no automated authorisation process, this raises particular concerns, as it means that officers are posting journals prepared for them by more senior officers, who may then be responsible for the retrospective review of said journal. This has the potential to render the retrospective review ineffective, if the reviewer is reviewing their own work.</p> <p>We have raised a recommendation in the action plan for the Council to consider in response to this finding.</p> <p><u>Conclusion</u></p> <p>Work is outstanding in relation to this risk and therefore we are unable to conclude that we have sufficient assurance as at the time of writing.</p> |

2. Financial Statements: Significant risks

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Risks identified in our Audit Plan

Commentary

Presumed risk of fraud in revenue recognition ISA (UK) 240

Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.

Having considered the risk factors set out in ISA 240, and the nature of the revenue streams of Leicester City Council, (fees, charges and other service income, interest and investment income, income from council tax, income from non-domestic rates, housing rents and government grants and contributions), we reported to you in our audit plan that we had rebutted the presumed risk of material misstatement due to the improper recognition of revenue, because:

- There is little incentive to manipulate revenue recognition
- Opportunities to manipulate revenue recognition are very limited; and
- The culture and ethical frameworks of public sector bodies, including Leicester City Council, mean that all forms of fraud are seen as unacceptable.

Therefore, we did not consider this to be a significant risk for the Council. We revisited this assessment during the course of our work and did not change our assessment.

Notwithstanding that we have rebutted this risk, we have still undertaken a significant level of work on the Council’s revenue streams, as they are material. We:

- evaluated the Council’s accounting policies for recognition of income and expenditure for its various income streams and compliance with the CIPFA Code
- updated our understanding of the Council’s business processes associated with accounting for income
- agreed, on a sample basis, income and year end receivables from other income to invoices and cash payment or other supporting evidence.
- conducted substantive analytical procedures in relation to income for national non-domestic rates and council tax
- sample tested grants income to supporting information and subsequent receipt, considering accounting treatment where appropriate.

Findings

Our findings below are not in relation to our work on the risk of fraud in revenue recognition, but are a response to the other work we have set out above, given the material revenue streams in place at the Council.

Debtors

In our testing of the Council’s debtors balance we identified an amount of £428k which had been posted for capital financing purposes but represented an internal debtor and therefore should not have been included in the Council’s financial statements. This means that the Council’s debtors balance is overstated by £428k. We isolated this error to capital debtors and selected a further sample to identify if the error is more widespread. This work is still underway as at the time of writing.

2. Financial Statements: Significant risks

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| Risks identified in our Audit Plan | Commentary |
|---|--|
| Presumed risk of fraud in revenue recognition ISA (UK) 240 (continued) | <p><u>Debtors (continued)</u></p> <p>We have however noted as part of our follow up review, that management have not accrued for an invoice raised at the year-end, due to the de minimis policy of not accruing for any transactions below £1k. We have gained assurance that the invoices raised under £1k received in March to April 2023 would not pose a risk of material misstatement if they were all not accrued for, due to the size of the population in question. We are therefore satisfied that this provides us with assurance that management's assessment that this policy would not materially impact the accounts is appropriate. However, the last time management formally undertook such an assessment was in 2016/17. We recommend that this assessment is done on an annual basis to ensure that the conclusion that the accounts would not be materially misstated as a result of this policy, remains the case.</p> <p><u>Debtors and receipts in advance</u></p> <p>In our testing of the Council's debtors balance we identified an amount of £2.9m relating to a leasehold annual service charge for 2023/24. As this relates to 2023/24 it should not have been accounted for in the Council's financial statements, meaning that both the debtors balance and receipts in advance balance are overstated by £2.9m. As both are overstated, there is a net nil impact on the balance sheet. We have conducted additional testing on transactions that appear similar in nature to identify if this error is more widespread. This work is still underway as at the time of writing.</p> <p><u>Grants income</u></p> <p>In gathering evidence in support of sample testing of grants income, management advised that a double counting error had been identified relating to two of our sample items. In their investigations a third such instance of double counting was identified, such that income from grants is overstated by £1.419m with an offsetting understatement in expenditure. We have not yet concluded on this work pending consideration of whether such errors are isolated to these three instances or whether it may be more pervasive. We have raised a recommendation for the Council to add checking processes to avoid such double counting.</p> <p><u>Fees, charges and other service income</u></p> <p>In our initial testing we identified an invoice for £6.6k which related to 2021/22 but had been recognised as income in 2022/23. When extrapolated across the population this led to an amount greater than our tolerable threshold and therefore our testing was extended. We identified no further errors but are reporting an extrapolated uncertainty of £3.087m. This means that if we assume that this error is representative of the population, when it is projected, there is a risk that fees, charges and other service income is overstated by £3.087m.</p> <p>Conclusion</p> <p>As noted on page 6, work is outstanding in relation to this risk and therefore we are unable to conclude that we have sufficient assurance as at the time of writing.</p> |

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Risk of fraud related to expenditure recognition

Public Audit Forum (PAF)
Practice Note 10

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 (for instance by deferring expenditure to a later period). As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may in some cases be greater than the risk of material misstatements due to fraud related to revenue recognition.

Having considered the nature of the expenditure streams of Leicester City Council, and on the same basis as that set out above for revenue, we reported in our audit plan that we have determined that there is no significant risk of material misstatement arising from improper expenditure recognition.

We have revisited this assessment during our work and have not amended our conclusion.

Notwithstanding that we have rebutted this risk, we have still undertaken a significant level of work on the Council's expenditure streams, as they are material. We:

Expenditure

- updated our understanding of the Council's business processes associated with accounting for expenditure
- agreed, on a sample basis, expenditure and year end creditors to invoices and cash payment or other supporting evidence

We also designed tests to address the risk that expenditure has been overstated, by not being recognised in the current financial year.

Conclusion

We have not identified any findings in relation to the risk of fraud related to expenditure recognition. However, we have reported our findings pertaining to our testing of expenditure on page 18.

2. Financial Statements: Significant risks

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Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council revalues its low value land and buildings on a rolling, five-yearly basis, with high value assets annually valued.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.

Within the valuation of the Council's Other Land and Buildings, the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. These include the build cost of relevant assets carried at depreciated historic cost and any judgements that have impacted this assessment and the condition of the current assets.

For assets valued at existing use value and fair value, the key inputs into the valuation are the yields used in the valuation, including estimated future income from the asset.

We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

We:

- evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding
- engaged our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council's valuers' work, the Council's valuers' reports and the assumptions that underpin the valuations
- tested revaluations made during the year to see if they had been input correctly into the Council's asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Findings

Assets valued at depreciated replacement cost

As noted in our audit plan and above, our approach to assessing the reasonableness of management's valuation of assets includes an evaluation of the assumptions applied to the calculation of the estimate. One such assumption applied is the obsolescence factor, (to recognise that an asset loses value over time). We queried how these assumptions had been derived and management were unable to provide supporting information. This is because the valuer responsible for valuing the assets had left the Council subsequent to providing the valuation, and the rationale applied was not documented. The valuations team have subsequently revisited the valuations for the sample of assets we selected for testing and have determined a revised value of those assets which is £14.7m less than the previous valuation.

We are in the process of auditing the revised valuation. Given that this reduction is based on a sample of 15 assets only, management will need to assess the implications of this on the remaining 140 assets in the population. This is not to say that the initial valuation was incorrect: valuation is subjective, and it is reasonable that two valuers could review the same asset and derive a different valuation. However, we have asked the Council to document its overall conclusion and rationale as to why, or why not, this difference is within professionally accepted ranges and if any amendment is required or not.

As the initial valuation provided to us was not supported by appropriate audit evidence it has led to the need for additional audit work and additional work by officers. We have raised recommendations in this regard for a number of years, specifically highlighting the need for assumptions and judgements applied to be clearly documented at the time they are made. We therefore, continue to roll forward this recommendation in Appendix C.

Given the capacity of the valuations team, we were advised to withhold further queries pending completion of the initial work. This work has now been received and the additional queries raised, which are still in the process of being resolved.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council revalues its land and buildings on a rolling, five-yearly basis.

This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.

Management will need to ensure that the carrying value in the Council's financial statements is not materially different from the current value or the fair value (for surplus assets) at the financial statements date.

Within the valuation of the Council's Other Land and Buildings, the valuer's estimation of the value has several key inputs, which the valuation is sensitive to. These include the build cost of relevant assets carried at depreciated historic cost and any judgements that have impacted this assessment and the condition of the current assets.

For assets valued at existing use value and fair value, the key inputs into the valuation are the yields used in the valuation, including estimated future income from the asset.

We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

Other findings from the work done to date are noted below:

Note 15 - Valuation timings note

We have identified a misstatement in the valuation timings note due to the inclusion of the gross book value of highways infrastructure. This inclusion renders the note inconsistent with the PP&E note, as management has opted not to include Highways Infrastructure therein. This is considered to be a disclosure amendment only and will be adjusted in the financial statements.

Tests of accounting of revaluation

When an asset's valuation decreases year on year, Code requirements are for any amounts pertaining to that asset in the revaluation reserve to be taken account out first and if that balance is extinguished to then take differences to the CIES. We identified a number of assets in the fixed asset register where this approach had not been applied. The impact is that charges to the revaluation reserve are understated by £1.037m.

There is a further example of an asset which has been depreciated by £1.025m when we believe it should have been treated as a downwards revaluation.

Capital expenditure not adding value

The Council has a policy to recognise capital expenditure in year even though it is not considered to add value to the asset. The asset is then revalued downwards to offset the value of the capital expenditure incurred. Management reviewed all of the capital expenditure in the year that has been revalued to nil and provided their judgements for recognising as capital, and why the expenditure was deemed to not add to the current value of the associated assets. One error was identified as a result of this exercise: expenditure of £1.036m relating to Pioneer Park – Levelling Up, was inappropriately revalued to nil, when it should have been recognised as capital enhancing expenditure as it relates to the construction of a new workspace. This means that the value of other land and buildings is understated by £1.036m.

Valuation of land at travellers' sites

The valuer has applied a nil value in respect of the land component of these sites, which has not been updated in the Council's fixed asset register, on which the financial statements are based. The value of the land of these assets is £1.164m, which means that the financial statements are overstated in this regard.

Infrastructure depreciation

As noted above the Council's PP&E notes are informed by the Fixed Asset Register which is a spreadsheet driven by formulae. We identified an error in the amount of depreciation charges to highways infrastructure which has arisen due to a hard coded deduction of £2.6m in the depreciation formula for each of the 5 highway infrastructure assets in the register, (ie £12.9m in total), which relates to the prior year and has been included this year in error. The correct figure is still to be confirmed.

Conclusion

As noted on page 6, work is outstanding in relation to this risk and therefore we are unable to conclude that we have sufficient assurance as at the time of writing.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of Council Dwellings

The Council contracts an expert to provide annual valuations of council dwellings based on guidance issued by the Ministry of Housing, Communities and Local Government (now Department for Levelling Up, Housing and Communities). They are valued using a beacon approach, based on existing use value discounted by the relevant social housing factor for Leicester. Dwellings are divided into asset groups (a collection of property with common characteristics) and further divided into archetype groups based on uniting characteristics material to their valuation, such as numbers of bedrooms.

A sample property, the “beacon” is selected which is considered to be representative of the archetype group and a detailed inspection carried out. The valuation of this asset is then applied to all assets within its archetype.

The key inputs into the valuation are the social housing factor, consideration of market movements and the determination of the beacons.

We therefore have identified that the accuracy of the key inputs driving the valuation of land and buildings as a significant risk, which was one of the most significant assessed risks of material misstatement.

We

- evaluated management’s processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts, and the scope of their work
- evaluated the competence, capabilities and objectivity of the valuation expert
- wrote to the valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met
- challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding
- engaged our own valuer to assess the instructions issued by the Council to their valuer, the scope of the Council’s valuers’ work, the Council’s valuers’ reports and the assumptions that underpin the valuations
- tested revaluations made during the year to see if they had been input correctly into the Council’s asset register
- evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different from current value at year end.

Findings

Beacon application

We identified in our testing of the application of beacons that a 2 bedroomed house had been categorised incorrectly in a beacon for houses with 6 or more bedrooms. We doubled the size of our testing population and found no further errors. We are therefore satisfied that this is an isolated error. There is no impact on the valuation of Council Dwellings as the value assigned to the beacon was appropriate.

Indexation

Dwellings not subject to formal revaluation in year are indexed by the valuer to ensure the carrying value is not materially different from the current value at year end. We challenged management whether the indexation was based on an appropriate indices as the valuer’s workings showed that the land registry data used in indexing the assets was partially estimated, due to delays in Land registry obtaining house prices sales for March. The valuers have revisited their work using the more recently available data for March and have concluded that the valuation is overstated by £16.7m, which will be adjusted in the financial statements.

This is a similar finding to prior year, and we have followed up the recommendation made then at Appendix C.

Conclusion

As noted on page 6, work is outstanding in relation to this risk and therefore we are unable to conclude that we have sufficient assurance as at the time of writing.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Commentary

Valuation of pension fund net liability/surplus

The Council's pension fund net liability/surplus, as reflected in its balance sheet represents a significant estimate in the financial statements, despite its value in the unaudited accounts this year as £nil.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework).

However, for the first time since IFRS have been adopted the council has had to consider the potential impact of IFRIC 14. Because of this we have assessed the recognition and valuation of the pension asset/liability as a significant risk, due to the sensitivity of the estimate to changes in key assumptions.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary.

A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.

We:

- updated our understanding of the processes and controls put in place by management to ensure that the pension fund balance is not materially misstated and evaluate the design of the associated controls
- evaluated the instructions issued by management to their management experts (the actuary) for this estimate and the scope of the actuary's work
- assessed the competence, capabilities and objectivity of the actuary who carried out the pension fund valuation
- assessed the accuracy and completeness of the information provided by the group to the actuary to estimate the liabilities
- tested the consistency of the pension fund balance and disclosures in the notes to the core financial statements with the actuarial reports from the actuary
- undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report

Findings

Actuarial report

The Council obtained a revised IAS19 report from its actuary which updates for the actual return on assets as at the balance sheet date rather than an estimate which featured in the original valuation. There was no change to the value of the liability (£nil), the interest on pension liability (£16.347m) but there will be amendments made to adjust for other experience adjustments charged to the CIES (which has been amended from £54.379m to £53.262m) and return on assets (which has been amended from £32.780m to £69.449m).

IFRIC 14

IFRIC 14 addresses the extent to which an IAS19 surplus can be recognised on the balance sheet. The Council's actuarial valuation shows that there is a pension asset as at 31 March 2023 of £37.9m but the Council have not recognised this in the financial statements, instead including a £nil balance (ie neither a pension asset or a pension liability). This is because IFRIC 14 requires consideration of the extent to which any existing surplus will give rise to a reduction in future contributions to the plan or refunds from the plan.

The economic benefit available as a reduction in future contributions cannot be negative. Therefore, where IAS19 future service costs are less than future service contributions the figure is floored at £0. This is the conclusion that management has reached as estimated minimum funding contributions will exceed the service cost, and therefore it is considered that it is not appropriate to account for the surplus as an asset.

Sector guidance and practice is still evolving and emerging. We are in the process of reviewing this treatment, as a result of recent correspondence with the actuary.

Pension fund auditor

We seek to obtain assurances from the auditor of the Leicestershire County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund's financial statements. Our review of these assurances is outstanding as at the time of writing.

Conclusion

As noted on page 6, work is outstanding in relation to this risk and therefore we are unable to conclude that we have sufficient assurance as at the time of writing.


2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Completeness of non-pay operating expenditure

Non-pay expenses on other goods and services also represents a significant percentage of the Council's operating expenses.

Management uses judgement to estimate accruals of un-invoiced costs. During the course of the three previous audits, there have been instances of expenditure not being accrued for which has led to further testing being conducted to ensure that no material misstatement existed.

 We therefore identified completeness of non-pay expenses as a risk requiring particular audit attention

Commentary

We

- evaluated the Council's accounting policies for recognition of non-pay expenditure streams for appropriateness
- gained an understanding of the Council's system for accounting for non-pay expenditure
- tested a sample of balances included within trade and other payables
- tested a sample of payments immediately prior to and after the year end to ensure that appropriate cut-off has been applied, and therefore that the expenditure has been recognised in the correct period.
- tested a sample of expenditure to ensure it has been recorded accurately and is recognised in the appropriate financial accounting period.

Findings

Agency costs

Similarly, to the outcome of our debtors testing, we identified from our sampling that an invoice for £380 related to 2021/22 but had been accounted for in 2022/23. This is because it fell below the de minimis limit for accounting for accruals. We considered whether there was a risk of material misstatement in expenditure as a result of this policy. We reviewed the invoices received between March 2023 and May 2023 and determined that there is no risk of material misstatement if they were all not accrued for, due to the size of the population. We are therefore satisfied that this provides us with assurance that management's assessment that this policy would not materially impact the accounts is appropriate. However, the last time management formally undertook such an assessment was in 2016/17. We recommend that this assessment is done on an annual basis to ensure that the conclusion that the accounts would not be materially misstated as a result of this policy, remains the case.

Payments made post year-end

In order to test the completeness of expenditure we sampled the payments made by the Council subsequent to the year end. We identified payments made that related to 2022/23 which had not been accrued for and were advised that this was due to the lack of a project manager allocated to monitor these particular capital expenditure items. We conducted further testing on this project (as well as to consider whether there were any other such projects without a project manager) and identified additional accruals which had not been made. We are reporting an unadjusted misstatement of £738k in this regard: that is to say that because of the missing accruals, the Council's expenditure is understated by £738k.

Conclusion

As noted on page 6 work is outstanding in relation to this risk and therefore we are unable to conclude that we have sufficient assurance as at the time of writing.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan

Completeness, existence and accuracy of cash and cash equivalents

The receipt and payment of cash represents a significant class of transactions occurring throughout the year, culminating in the year-end balance for cash and cash equivalents reported on the statement of financial position.

Due to the significance of cash transactions to the Council, we identified the completeness, existence and accuracy of cash and cash equivalents as a risk requiring special audit consideration.

Commentary

We

- agreed all period end bank balances to the general ledger and cash book;
- agreed cash and cash equivalents to the bank reconciliation;
- agreed all material reconciling items and a sample of other items to sufficient and appropriate corroborative audit evidence;
- obtained the bank reconciliation for the following month end and review the reconciling items against those included on the period end bank reconciliation;
- wrote to the bank and obtain a bank balance confirmation;
- agreed the aggregate cash balance to the relevant financial statement disclosures

Findings

As part of our work, we tested school balances that feed into the disclosed cash and cash equivalent balance to ensure that they are accurate. To ease with closedown pressures, the Council determined the value of the schools' bank balances to be included in the financial statements as at the end of February rather than March. We compared the February values used to the bank confirmations we received as at the year-end for a sample of 22 accounts and identified that the accounts were overstated by £2.564m. We are in the process of investigating what the total level of misstatement of the population might be, based on this sample, and have asked officers to undertake further work.

Conclusion

As noted on page 6 work is outstanding in relation to this risk and therefore we are unable to conclude that we have sufficient assurance as at the time of writing.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan and a summary of any significant deficiencies identified during the year.

| Issue | Commentary | Auditor view |
|--|--|--|
| Note 14 – Expenditure by Nature <ul style="list-style-type: none"> The Code requires that a local authority discloses information on the nature of expenses it incurs, including depreciation and amortisation expense and employee benefits expense. The Council meets this requirement of the Code through Note 14 – <i>Expenditure and Income analysed by nature</i>. | <p>We identified during mapping of the expenditure by nature note to supporting documentation that items had been misclassified between categories as follows:</p> <ul style="list-style-type: none"> An amount of £4.428m in other service expenses is better classified under depreciation, amortisation, impairment. Similarly, an amount of £24m in fees and charges is better classified under Government grants and contributions. <p>For 2021/22 it is proposed that the comparators are similarly updated so that the year-on-year balances are like for like:</p> <ul style="list-style-type: none"> An amount of £294k in other service expenses is better classified under depreciation, amortisation, impairment. Similarly, an amount of £17m in fees and charges is better classified under Government grants and contributions. | <p>We reported in our 2021/22 Audit Findings Report that other services expenses and depreciation figures were incorrect in this note due to hard coding of figures within the accounts working paper before all transactions were posted.</p> <p>This indicates that errors of this nature will continue to recur unless the workings are automated and hard coding removed.</p> <p>We have raised a recommendation in this regard at Appendix B.</p> |
| Full time equivalent data <ul style="list-style-type: none"> In our testing of payroll data we identified an error in our review of full-time equivalent numbers, relating to a starting employee whose details were wrongly included in the April figures. | <p>This was identified as an error by the Council at the time and corrected in the following month.</p> <p>However, because we rely on the FTE data being accurate on a month-by-month basis for the purposes of our payroll testing, we extended our sample to determine whether this was indicative of an isolated error or whether it was pervasive.</p> | <p>No issues were identified from our extended testing and therefore we concluded we were able to rely on the FTE data for our payroll testing.</p> |

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|--|---|---|
| Land and Building valuations – £1,305m (unaudited figure) | <p>Other land and buildings comprises £996m of specialised assets such as schools and libraries, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings (£242m) are not specialised in nature and are required to be valued at existing use in value (EUV) at year end., with the balance being surplus assets. The Council uses its internal valuation team to complete the valuation of properties as at 31 March 2023.</p> <p>Approximately 99% of total assets were revalued during 2022/23.</p> <p>Management has considered the year end value of non-valued properties and has not identified indications that the valuation of these assets has changed by a material amount, which would warrant further formal valuations being undertaken.</p> <p>The total year end valuation of land and buildings (including surplus assets) in the unaudited accounts was £1,305m, a net increase of £75m from 2021/22 (£1,230m).</p> | <p>We have engaged our own valuer to assist with our work and challenge in this area, who has raised questions which we have used to inform our audit queries.</p> <p>We have considered the movements in the valuations of individual assets and their consistency with indices provided by Montague Evans as our auditor's expert. We have considered the completeness and accuracy of the underlying information used to determine the estate. We have discussed the appropriateness of the indices and assumptions used by the Council's valuer and have identified errors as set out on pages 14 and 15.</p> <p>As noted on page 14, the initial valuation could not be supported in relation to the obsolescence factors applied, leading to the valuations for our sampled assets to be reperformed. Management needs to assess the implications of this on the remaining assets in the population.</p> <p>We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council, but given the errors identified, continue to recommend that the Council improve its processes and retention of documentation in this area.</p> | TBC pending completion of our review of management's revised valuations |

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

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| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|---|--|---|---|
| Land and Buildings – Council Dwellings - £1,246m (unaudited figure) | <p>The Council owns 19,435 dwellings and is required to revalue these properties in accordance with DCLG's Stock Valuation for Resource Accounting guidance. The guidance requires the use of beacon methodology, in which a detailed valuation of representative property types is then applied to similar properties.</p> <p>The Council has engaged Wilks Head and Eve LLP to complete the valuation of these properties. The unaudited year end valuation of Council Housing was £1,246m, a net increase of £85m from 2021/22 (£1,161m).</p> | <ul style="list-style-type: none"> We challenged the Council on why it is deemed appropriate to apply the revaluation accounting treatment to the asset base as a whole rather than individual assets. The response is that Council Dwellings are held in a separate data system and that the valuation is done by an external valuer based on the beacon valuation system. Due to the sheer volume of assets involved and because all assets are revalued in year, the bottom-line result of the Housing Revenue Account (HRA) system is what is included in the accounts. We have reviewed relevant guidance which confirms it is permissible for revaluations to be applied at the asset group level and are therefore satisfied that management's approach is not unreasonable. We note that as last year, the valuers prepared the valuation using estimated indices. This is to be expected given the required timing of the production of the valuation but we recommended in the prior year, and would expect, that the valuation is revisited when actual information becomes available so it can be compared to the estimate. Subsequent to auditor team prompt, this exercise was undertaken and a revised valuation including an increase of £16.4m has been provided which we are in the process of reviewing at the time of writing. We have no concerns over the competence, capabilities and objectivity of the valuation expert used by the Council, but given the issue identified, we continue to raise a recommendation for the Council to revisit this estimate as part of its accounts preparation process. For other findings in relation to Council Dwellings please refer to page 16. | TBC pending completion of our review of management's revised valuations |

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
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2. Financial Statements: key judgements and estimates

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| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|------------|---------------|-----------|------------|---------------|-------|-------|-------|-----------------------|-------|---------------|-------|---------------|-------|---------------|-------|--|----------------------|----------------------------|-------|--|----------------------|----------------------------|-------|---|
| Net pension liability/(surplus) – £nil IFRIC 14 addresses the extent to which an IAS 19 surplus can be recognised on the balance sheet and whether any additional liabilities are required in respect of onerous funding commitments. IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. | The Council is disclosing a £nil net pension liability at 31 March 2023. The Council uses Hymans Robertson to provide actuarial valuations of the Council's assets and liabilities derived from the scheme to which it contributes, which is the Leicestershire County Council Local Government defined benefit scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability (surplus), small changes in assumptions can result in significant valuation movements. There has been a £590m net actuarial gain during 2022/23. | <ul style="list-style-type: none"> We have no concerns over the competence, capabilities and objectivity of the actuary used by the Council. We have used the work of PwC, as auditors' expert, to assess the actuary and assumptions made by the actuary. See below for consideration of key assumptions in the Leicestershire County Council Pension Fund valuation as it applies to Leicester City Council. <table border="1"> <thead> <tr> <th>Assumption</th><th>Actuary Value</th><th>PwC range</th><th>Assessment</th></tr> </thead> <tbody> <tr> <td>Discount rate</td><td>3.75%</td><td>4.75%</td><td>● (G)</td></tr> <tr> <td>Pension increase rate</td><td>3.20%</td><td>3.15% - 3.30%</td><td>● (G)</td></tr> <tr> <td>Salary growth</td><td>3.45%</td><td>2.95% - 3.95%</td><td>● (G)</td></tr> <tr> <td>Life expectancy – Males currently aged 45/65</td><td>45: 20.8 65: 21.7</td><td>19.1 – 21.5 20.4 – 23.2</td><td>● (G)</td></tr> <tr> <td>Life expectancy – Females currently aged 45/65</td><td>45: 23.9 65: 25.3</td><td>21.9 – 23.9 23.9 – 26.1</td><td>● (G)</td></tr> </tbody> </table> <ul style="list-style-type: none"> No issues were noted with the completeness and accuracy of the underlying information used to determine the estimate. As noted on page 17 there is work outstanding in relation to this estimate, but we have no findings to date to report. | Assumption | Actuary Value | PwC range | Assessment | Discount rate | 3.75% | 4.75% | ● (G) | Pension increase rate | 3.20% | 3.15% - 3.30% | ● (G) | Salary growth | 3.45% | 2.95% - 3.95% | ● (G) | Life expectancy – Males currently aged 45/65 | 45: 20.8 65: 21.7 | 19.1 – 21.5 20.4 – 23.2 | ● (G) | Life expectancy – Females currently aged 45/65 | 45: 23.9 65: 25.3 | 21.9 – 23.9 23.9 – 26.1 | ● (G) | TBC pending completion of our consideration of management's IFRIC 14 assessment |
| Assumption | Actuary Value | PwC range | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 3.75% | 4.75% | ● (G) | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension increase rate | 3.20% | 3.15% - 3.30% | ● (G) | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary growth | 3.45% | 2.95% - 3.95% | ● (G) | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Males currently aged 45/65 | 45: 20.8 65: 21.7 | 19.1 – 21.5 20.4 – 23.2 | ● (G) | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Females currently aged 45/65 | 45: 23.9 65: 25.3 | 21.9 – 23.9 23.9 – 26.1 | ● (G) | | | | | | | | | | | | | | | | | | | | | | | | |

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|-----------------------------------|---|--|---|
| Provisions - £10.6m | <p>The Council discloses at Note 24 a list of provisions made as at 31 March 2023. They are:</p> <ul style="list-style-type: none"> Insurance: £3.6m Housing Benefits £0.7m Housing £0.5m Business Rate Appeals £5.9m | <p>The value of these provisions, both individually and in aggregate is not material and therefore we have performed limited work in assessing the reasonableness of these provisions.</p> <p>However, we have identified the completeness of provisions as a risk, ie the risk that the Council is not recognising all of the liabilities that it should be.</p> <p>We are particularly cognisant of the claim lodged by Biffa Group Holdings (UK) Limited and group companies, as disclosed in Note 43 Contingent Liabilities.</p> <p>It is disclosed as a contingent liability and not recognised as a provision as the Council have opined that the existence will be confirmed only by the occurrence of an uncertain future event not wholly within its control, ie the outcome of the claim.</p> <p>We are leaving this item open until such point as the accounts are signed. This is because if the claim moves through the courts, such that there is an outcome, it may need to be provided for, though we understand from the officers that this is now not likely to be until 2025.</p> | We consider management's process is appropriate |

Assessment

- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates









| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment |
|------------------------------------|---|---|---|
| Minimum Revenue Provision - £14.8m | <p>The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance.</p> <p>The year end MRP charge was £14.8m, a net increase of £1.0m from 2021/22.</p> | <p>We have assessed this estimate, considering:</p> <ul style="list-style-type: none"> whether the MRP has been calculated in line with the statutory guidance whether the Council's policy on MRP complies with statutory guidance. whether any changes to the authority's policy on MRP have been discussed and agreed with those charged with governance and have been approved by full council the reasonableness of the increase in MRP charge <p>From the work undertaken we have no findings to report .</p> | We consider management's process is appropriate |

Assessment





- [Dark Purple] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- [Blue] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- [Light Purple] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology









This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating | | | Related significant risks/other risks and any additional procedures performed to address findings identified |
|---|--|---|---|---|---|--|
| | | | Security management | Technology acquisition, development and maintenance | Technology infrastructure | |
| 76 Active Directory | ITGC assessment (design and implementation effectiveness only) |  |  |  |  | This pertains to overall security management and access rights and therefore links to all risks noted in the audit approach. |
| | | | | | | No additional procedures were necessary |
| Business World/Unit 4 – financial reporting | ITGC assessment (design and implementation effectiveness only) |  |  |  |  | <p>This system is related to the Council's financial reporting and therefore links to all risks noted in our audit approach. The findings are consistent with prior year and are noted in Appendix C.</p> <p>We conducted additional procedures in our testing of journals to respond to the risk of management as a result of these findings.</p> |





Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: Information Technology

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating | | | Related significant risks/other risks and any additional procedures performed to address findings identified |
|----------------|--|---|---|---|---|--|
| | | | Security management | Technology acquisition, development and maintenance | Technology infrastructure | |
| 77 i-Trent | ITGC assessment (design and implementation effectiveness only) |  |  |  |  | This system is related to the Council's payroll processes and therefore relates to our risk of the valuation of the net pension liability as we agree information provided to the actuary by the Council to source payroll data. |
| Civica | ITGC assessment (design and implementation effectiveness only) |  |  |  |  | This system is related to the Council's council tax, business rates and housing benefits processes and therefore pertains to the risk identified of the completeness of non-pay operating expenditure. |

Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

| Issue | Commentary |
|--|---|
| Matters in relation to fraud | <p>We have previously discussed the risk of fraud with the Governance and Audit Committee and have not been made aware of any incidents in the period other than those which are reported to Committee from the local counter fraud services.</p> <p>No issues have been identified during the course of our audit procedures.</p> |
| Matters in relation to related parties | <p>We are not aware of any related parties or related party transactions which have not been disclosed, though we have undertaken additional work as set out earlier in this report.</p> |
| Matters in relation to laws and regulations | <p>You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.</p> |
| Written representations | <p>A letter of representation has been requested from the Council, which is set out at Appendix H.</p> |
| Confirmation requests from third parties | <p>We requested from management permission to send confirmation requests to organisation with which it banks, invests and borrows. This permission was granted, and the requests were sent. The requests were returned with positive confirmation.</p> |
| Accounting practices | <p>We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements in relation to accounting policies, but we identified some changes to disclosures which are set out in Appendix D.</p> |
| Audit evidence and explanations/ significant difficulties | <p>We continue to encounter challenges in obtaining robust evidence supporting the Council's valuations of its other land and buildings.</p> <p>Due to personnel changes, our questions could not be answered, and the valuations were therefore revisited by a different valuer.</p> <p>We continue to recommend that the rationale behind judgements and assumptions applied is evidenced and documented as the valuations are produced. If this process had been in place in respect of the valuations for the year ended March 2023, it is likely that significant time and effort could have been saved on the part of the audit, finance and valuation teams.</p> |

2. Financial Statements: other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management’s use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity’s ability to continue as a going concern” (ISA (UK) 570).

| Issue | Commentary |
|---------------|--|
| Going concern | <p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies.</p> <p>Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none"> 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 entity’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, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council’s financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none"> the nature of the Council and the environment in which it operates the Council’s financial reporting framework the Council’s system of internal control for identifying events or conditions relevant to going concern management’s going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none"> a material uncertainty related to going concern has not been identified management’s use of the going concern basis of accounting in the preparation of the financial statements is appropriate. |

2. Financial Statements: other responsibilities under the Code

| Issue | Commentary |
|---|--|
| Other information | <p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified.</p> |
| Matters on which we report by exception | <p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. • where we are not satisfied in respect of arrangements to secure value for money and have reported [a] significant weakness/es. <p>We have nothing to report on these matters, though note that our work on the objection raised on Selective Licensing is still underway as is our work on the Council's value for money arrangements.</p> |
| Specified procedures for Whole of Government Accounts | <p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>However, we note that work is not required as the Council does not exceed the revised threshold of £2 billion. We will still however be required to submit a return to the National Audit Office on completion of our audit.</p> |
| Certification of the closure of the audit | <p>We intend to delay the certification of the closure of the 2022/23 audit of Leicester City Council in the audit report, as detailed in Appendix I, due to the need to complete work on the Council's value for money arrangement, whole of government accounts return, and the objection.</p> |



3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2022/23

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

81 When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



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

3. VFM: our procedures and conclusions

We have not yet completed all of our VFM work and so are not in a position to issue our Auditor’s Annual Report. An audit letter explaining the reasons for the delay is attached in the Appendix G to this report. We expect to issue our Auditor’s Annual Report by 31 January 2024. This is in line with the National Audit Office's revised deadline, which requires the Auditor's Annual Report to be issued no more than three months after the date of the opinion on the financial statements.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We identified the risks set out in the table below. Our work on this risk is underway and an update is set out below.

| Risk of significant weakness reported in our audit plan | Interim commentary |
|--|--|
| <p>Financial Sustainability</p> <p>We note from the Council’s General Fund Budget Report, considered by Full Council in February 2023, that the budget for both 2023/24 and 2024/25 has an excess of expenditure over income, the gap for which will be met through the use of reserves. There is a stark message, which notes “we do not have enough money – we estimate reserves will run out part way through 2024/25. Thus, the achievement of significant savings is essential to live within our means.”</p> <p>The Council has adequate reserves for the short term but managing the risk of increasing demand in the face of funding pressures is a key area for the Council.</p> <p>We will review the Council's Medium Term Financial Statement and financial monitoring reports and assess the assumptions being used and savings being achieved, as well as follow up on all improvement recommendations made in our 2021/22 Annual Auditor’s Report.</p> | <p>The Managed Reserves Strategy is the only balance set up with the express purpose of bridging revenue budget gaps. It provides a level of “buffer” but clearly can only be used once. Based on current predicted budget gaps and the Council’s current level of managed reserves the Council will have depleted its managed reserves by 2024/2025 if further savings are not made.</p> <p>The Council’s approach in respect of 2023/24 and onwards is via a Fundamental Budget Review which aims to achieve savings of £40 million per year. This is a consistent level of savings compared to previous years, but is still a greater challenge than was required in prior years.</p> <p>The first quarter monitoring exercise reported to the Overview Scrutiny Committee in September 2023 identified an overall net forecast overspend of £12.7m against the latest approved budget. There were £17.0m of cost pressures, partially offset by £4.3m of lower than budgeted costs and additional income. At that time, the Director of Finance noted that the net overspend could be met from departmental earmarked reserves but that these were one-off resources and would not be available in future years - while the underlying cost pressures will continue into future years unless action is taken.</p> <p>It therefore remains imperative that the Council’s focus remains upon identifying deliverable, significant, savings as soon as possible in order to safeguard the Council’s longer-term financial position. Whilst the Council is satisfied that a section 114 notice is not currently required, tough financial decisions are inevitable in the upcoming budget setting round in order to manage this potentially precarious position and ensure financial sustainability.</p> <p>We note recent spending controls and the struggle to make savings at the pace required: these are potentially indicative of weaknesses in arrangements which we will formally conclude upon when our work is complete.</p> |

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4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

8 Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix F.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Grant Thornton International Transparency report 2023](#).

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, which were charged from the beginning of the financial year to November 2023, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

| Service | Fees £ | Threats identified | Safeguards |
|---|-------------------------------------|--|--|
| Audit related | | | |
| Certification of Housing capital receipts grant 21-22 | 6,000 | Self-Interest (because this is a recurring fee) | The level of this recurring fee taken on its own is not considered a significant threat to independence given the fee for the work in comparison to the total planned audit fee (per our Audit Plan) for the audit of ££176,947 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. |
| Certification of Teachers Pension Return 2021-22 | 7,500 | | |
| Certification of Teachers Pension Return 2022-23 | 10,000 | Self-review (because GT provides audit services) | We have considered the following and consider the self-review threat to be mitigated: <ul style="list-style-type: none"> the materiality of the amounts involved to our opinion unlikely of material errors arising the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants. |
| Certification of Housing Benefit Claim 2021-22 | 62,000 | | |
| Certification of Housing Benefit Claim 2022-23 | £32,400 core £1,500/day variable | | |

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified, which were charged from the beginning of the financial year to November 2023, as well as the threats to our independence and safeguards that have been applied to mitigate any threats identified.

| Service | Fees £ | Threats identified | Safeguards |
|---------------------------|--------------------------------------|---|---|
| Audit related | | | |
| CFO Insights Subscription | 12,500 (per annum for 3 years) | Self-Interest (because this is a recurring fee) Self-review (because GT provides audit services) | The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work is anticipated to be £12,500 in comparison to the total fee for the audit and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat , the work is undertaken by a team independent of the audit team. The audit will consider the accounting treatment of the payments made and this is not part of CFOi service. There is not considered to be a significant self-review threat. |

Grant Patterson, the Key Audit Partner and Engagement Lead for the provision of the Council’s external audit services is currently serving their 5th year on the engagement. In line with ethical requirements, to safeguard the threat of familiarity, he will rotate off the audit for the year commencing 31 March 2024 and beyond.

*These services are consistent with the Council’s policy on the allotment of non-audit work to your auditors. All services have been approved by the Governance and Audit Committee. None of the services provided are subject to contingent fees.

4. Independence and ethics

As part of our assessment of our independence we note the following matters:


| Matter | Conclusion |
|---|---|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity |
| Relationships and Investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals |
| Employment of Grant Thornton staff | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships | We are aware of local taxation charges paid by Grant Thornton UK LLP to Leicester City Council as a result of a Grant Thornton UK LLP office being located in Leicester. We do not consider these give rise to a business relationship between Grant Thornton UK LLP and Leicester City Council as the firm has no choice but to pay local taxes and therefore do not consider there to be any independence issues. |
| | We have not identified any other business relationships between Grant Thornton and the Council |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place for non-audit services provided. |
| Gifts and hospitality | We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff that would exceed the threshold set in the Ethical Standard. |

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person [and network firms] have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Appendices

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- A. Communication of audit matters to those charged with governance
 - B. Action plan – Audit of Financial Statements
 - C. Follow up of prior year recommendations
 - D. Audit Adjustments
 - E. Fees and non-audit services
 - F. Auditing developments
 - G. Management Letter of Representation
 - H. Audit opinion
 - I. Audit letter in respect of delayed VFM work
 - J. Related parties – consideration of enquiry

A. Communication of audit matters to those charged with governance

| Our communication plan | Audit Findings | |
|--|----------------|----------------|
| | Audit Plan | Audit Findings |
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks | • | |
| Confirmation of independence and objectivity | • | • |
|  A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant findings from the audit | | • |
| Significant matters and issue arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified 4 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2023/24 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

| Assessment | Issue and risk | Recommendations |
|------------|---|--|
| Low | <p>De minimis policy</p> <p>In our testing of the Council's debtors balance as well as expenditure testing, we identified that management have not accrued for two sampled invoices due to the de minimis policy of not accruing for any transactions below £1k.</p> <p>We have gained assurance that the invoices raised, and invoices received under £1k received in March to April 2023 would not pose a risk of material misstatement if they were all not accrued for, due to the size of the populations in question. We are therefore satisfied that this provides us with assurance that management's assessment that this policy would not materially impact the accounts is appropriate. However, the last time management formally undertook such an assessment was in 2016/17.</p> | <p>We recommend that this assessment is done on an annual basis to ensure that the conclusion that the accounts would not be materially misstated as a result of this policy, remains the case.</p> <p>Management response</p> <p>We agree a regular review is carried out, but disagree that the review is needed on an annual basis, as the estimated size is c£1m.</p> |
| Medium | <p>Grants income</p> <p>In gathering evidence in support of sample testing of schools' grants income, management advised that a double counting error had been identified relating to two of our sample items. In their investigations a third such instance of double counting was identified, such that income from grants is overstated by £1.419m with an offsetting understatement in expenditure.</p> <p>This was also a reported error in our 2018/19 Audit Findings Report.</p> | <p>Albeit several years apart, this is a very specific error to have recurred, and we therefore recommend that the Council revisits its processes in relation to the processing of schools' grants income to ensure that such double counting does not take place in future.</p> <p>Management response</p> <p>Agreed – processes will be reviewed.</p> |

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

B. Action Plan – Audit of Financial Statements

| Assessment | Issue and risk | Recommendations |
|------------|---|---|
| Medium | <p>Expenditure and Income Analysed by Nature</p> <p>This note is informed by a workpaper which is largely automated, but not completely. We identified in our testing this year (and in the prior year) that errors have arisen because of hard coding in this workpaper.</p> <p>This indicates that errors of this nature will continue to recur unless the workings are automated and hard coding removed.</p> | <p>We recommend that this workpaper is fully automated, or subject to more robust quality assurance checks as part of the closedown process, so that such errors are avoided.</p> <p>Management response</p> <p>Agreed, a review will be undertaken.</p> |
| Medium | <p>Journals process</p> <p>It is not best practice for senior officers to be posting journals as it has the potential to remove a layer of review, authorisation and approval. We note from the journals data that senior officers have not posted journals, but as reported on page 10, we identified evidence indicating that they have been posting to the ledger by proxy (ie by asking another officer to post something on their behalf, something that they themselves had prepared).</p> <p>Given that the Council has no automated authorisation process, this raises particular concerns, as it means that officers are posting journals prepared for them by more senior officers, who may then be responsible for the retrospective review of said journal. This has the potential to render the retrospective review ineffective and raises a segregation of duty concern, if the reviewer is reviewing their own work.</p> | <p>We recommend that the Council revisit its journals process in respect of this practice and ensure that where officers are posting on behalf of someone else, that those journals are subject to separate review.</p> <p>Management response</p> <p>We will review the journal process, and identify if and how a separate review can be added</p> |

Controls

- High – Significant effect on financial statements
- Medium – Limited Effect on financial statements
- Low – Best practice

C. Follow up of prior year recommendations

We identified the following issues in the audit of Leicester City Council's 2021/22 financial statements, which resulted in 5 recommendations being reported in our 2021/22 Audit Findings report. We reported interim progress against these in our audit plan, but as work was still underway, we were not in a position to close the recommendations down at that time.

We have followed up on the implementation of our recommendations and note that 2 are still to be completed, the risk in relation to 1 has been accepted by the Council, and 2 have been satisfactorily addressed.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|--|---|
| ✓x | <p>Segregation of duty conflicts within i-Trent and Unit 4</p> <p>Administrative access to i-Trent (via 'LCITC SYSTEM ADMIN') and Unit 4 (via 'AG-SYSTEM' role) has been granted to users who have the ability to enter financial transactions. The combination of this and the ability to administer end-user security is considered a segregation of duties conflict. We noted that the following individuals had such elevated permissions:</p> <p>i-Trent</p> <ul style="list-style-type: none">• 1 user as Corporate Payments Manager' from the 'Payroll' department.• 3 users as 'Operational Pensions and Payment Officer' from the 'Payroll' department <p>1 user as System support and development officer from the 'Payroll' department.</p> <p>Unit 4</p> <ul style="list-style-type: none">• 'Finance Systems Technician' from the Finance department.• 'Accountant' from the Finance Team. <p>We recommended that:</p> <ul style="list-style-type: none">• Management should consider reviewing access rights assigned to all system users to identify and remove conflicting access rights.• Management should adopt a risk-based approach to create and reassess the segregation of duty matrices on a periodic basis. This should consider whether the matrices continue to be appropriate or required updating to reflect changes within the business.• If incompatible business functions are granted to users due to organisational size constraints, management should ensure that there are review procedures in place to monitor activities [e.g. reviewing system reports of detailed transactions; selecting transactions for review of supporting documents; etc. | <p>This finding has been partially remediated.</p> <p><u>i-Trent</u></p> <p>We acknowledge that admin access to iTrent via 'LCITC SYSTEM ADMIN' has been remediated with the addition of new security profile and logging of activities of the same. The system administrator can access to these logs and are monitored on monthly basis. We also inspected there were no unjustifiable actions has been taken by Payroll team.</p> <p><u>Unit 4</u></p> <p>We have noted the exception remains same for this year and further that this finding will not be remediated by the Council on the grounds that management believe the user configuration is appropriate to ensure the smooth and effective running of the Council's processes and procedures.</p> <p>Management have therefore accepted this segregation of duties risk, but to mitigate it from an audit perspective, we have designed tests accordingly in our approach to journals testing, as set out on page 9.</p> |

C. Follow up of prior year recommendations

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|---|---|
| x | <p>Valuation process of other land and buildings</p> <p>We recommended in previous years that officers and the valuer ensure that the information used in the valuation process is the most up to date and in line with relevant guidance. We also recommended that the valuer documents robustly and in detail, the rationale behind assumptions applied as the valuations are produced, to ensure that an audit trail is readily available.</p> <p>This was a recommendation rolled forward from 2020/21 and raised again in 2021/22.</p> | <p>We continue to encounter challenges in obtaining robust evidence supporting the Council's valuations of its other land and buildings.</p> <p>Due to personnel changes, our questions could not be answered, and the valuations were therefore revisited by a different valuer.</p> <p>We continue to recommend that rationale behind judgements and assumptions applied is evidenced and documented as the valuations are produced. If this process had been in place in respect of the valuations for the year ended March 2023, it is likely that significant time and effort could have been saved on the part of the audit, finance and valuation teams.</p> |
| x | <p>Valuation process of Council dwellings</p> <p>The Council used the housing price index to uplift house prices using indices at February 22 with an estimate for March 2022.</p> <p>We were satisfied from our analysis that using February indices instead of March does not materially impact the valuation and we are satisfied that the estimate is reasonable. We are aware of the timings needed in order to produce valuations and the valuer at the time did use the most up to date information with an estimate of movement made for March 2022 which wasn't available at that time. We recommended that valuations determined using estimates are revisited when actuals are known, to provide additional assurance that there is no material misstatement.</p> | <p>The analysis was undertaken by the valuer, but it was not reviewed until prompted by the audit team. The subsequent analysis and exercise has resulted to a material amendment to the financial statements.</p> <p>We therefore do not consider this recommendation to be met.</p> |
| ✓ | <p>Annual Governance Statement</p> <p>We considered the Council's Annual Governance Statement to be 'light' in comparison to other examples we see in the sector. While we have concluded it meets requirements the Council should consider enhancing its narrative for future years to more fully explain its governance arrangements, especially in light of governance failures elsewhere in the public sector.</p> | <p>The Council shared with us its draft Annual Governance Statement prior to publication, and we were satisfied that additional information had been included to address the recommendation made in prior year.</p> <p>We note that the Statement will need to be updated for any relevant issues between the balance sheet date and the date that the accounts are signed.</p> |

C. Follow up of prior year recommendations

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| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|---|---|
| x | <p>Terms of Engagement with valuers responsible for valuing Council Dwellings</p> <p>We noted that, overall, the terms of engagement outlining the scope of works of the portfolio of properties by the Council's valuer is deemed satisfactory as at the valuation date of 31st March 2022 but could be improved in two aspects:</p> <ul style="list-style-type: none"> the information to be relied upon by the Valuer is not set out in any detail; and it is unclear whether any special assumptions will be included. <p>We recommended that these missing aspects are included in the Terms of Engagement in the future.</p> | <p>We have commissioned an auditor's expert to review the work done by the external valuer. They commented that there continues to be no reference to the valuation methodology to be used or the actual nature of the assets to be valued.</p> <p>They noted that the valuer set out the assumptions noting the accuracy of the beacon valuation is a major factor governing the quality of the housing stock valuation, but noted that the valuer did not confirm whether any properties were treated differently, ie whether special assumptions were applied.</p> <p>We therefore do not consider this recommendation to be met. We have raised all questions raised by our expert with the Council's valuers and would expect them to be addressed as a matter of course in the report provided in future years.</p> |

D. Audit Adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2023.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Impact on general fund £'000 |
|---|--|--|---|------------------------------------|
| <u>Pension</u> The draft accounts were based on the actuary report dated 26/04/23. The revised report was received on the 09/06/23 which was too late for the draft accounts publication. The Council has proposed to adjust the totals to reflect the revised report in the final accounts. | TBC pending receipt of updated accounts | TBC pending receipt of updated accounts | TBC pending receipt of updated accounts | - |
| <u>Highways depreciation</u> We identified an error in the amount of depreciation charges to highways infrastructure which has arisen due to a hard coded deduction of £2.6m in the depreciation formula for each of the 5 highway infrastructure assets in the register, (ie £12.9m in total), which relates to the prior year and has been included this year in error. The correct figure is still to be confirmed. | TBC pending receipt of revised workings | TBC pending receipt of revised workings | TBC pending receipt of revised workings | - |
| <u>Council Dwellings indexation</u> Revisit valuation to update with actual information in place of estimates. | - | -16,708 | - | - |
| TBC | TBC | TBC | TBC | TBC |
| Overall impact | £TBC | £TBC | £TBC | £TBC |

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|--|---|-----------|
| <p>Note 15 – valuation timings note</p> <p>We have identified a misstatement in the valuation timings note due to the inclusion of the gross book value of highways infrastructure. This inclusion renders the note inconsistent with the PP&E note, as management has opted not to include Highways Infrastructure therein.</p> | <p>Management response</p> <p>This will be adjusted.</p> | TBC |
| <p>Note 14 – Expenditure and Income analysed by nature</p> <p>We identified during mapping of the expenditure by nature note to supporting documentation that items had been misclassified between categories as follows:</p> <ul style="list-style-type: none"> An amount of £4.428m in other service expenses is better classified under depreciation, amortisation, impairment. Similarly, an amount of £24m in fees and charges is better classified under Government grants and contributions. <p>For 2021/22 it is proposed that the comparators are similarly updated so that the year-on-year balances are like for like.:</p> <ul style="list-style-type: none"> An amount of £294k in other service expenses is better classified under depreciation, amortisation, impairment. Similarly, an amount of £17m in fees and charges is better classified under Government grants and contributions. | <p>Management response</p> <p>This will be adjusted.</p> | TBC |
| <p>Note 34 – External Audit Costs</p> <p>The fees do not reconcile with those proposed in our audit plan or reported in this report. They will need to be amended.</p> | <p>Management response</p> <p>Adjustment will be reviewed and then determined whether it will be amended.</p> | TBC |
| TBC pending completion of the outstanding areas of work | | |

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022/23 audit which have not been made within the final set of financial statements. The Governance and Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Impact on general fund £'000 | Reason for not adjusting |
|---|---|--|--|------------------------------------|---|
| We identified a transaction in our sample testing of fees, charges and other service income, which related to 2021/22 but had been accounted for incorrectly in 2022/23. When projected over the population this gives an extrapolated misstatement of £3.1m. | 3,087 | -3,087 | 3,087 | - | This is an extrapolated amount and not considered to be material. |
| The valuer has recorded a nil value in respect of land at traveller sites which has not been updated in the fixed asset register meaning that the land value is overstated in the accounts | 1,163 | -1,163 | 1,163 | - | Not considered to be material. |

continued overleaf...

D. Audit Adjustments (continued)

Impact of unadjusted misstatements (continued)

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Impact on general fund £'000 | Reason for not adjusting |
|--|--|---|--|---------------------------------|--------------------------------|
| A capital project was revalued to nil through a downwards revaluation, when it should not have been, leading to an understatement of the Council's other land and buildings. | -1,035 | 1,035 | -1,035 | - | Not considered to be material. |
| Overall impact (though it is noted further misstatements may be identified once outstanding work is completed) | £3,215 | -£3,215 | £3,215 | - | |

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements. We are satisfied that these adjustments are still not required as they are not material in respect of 2020/21 and their impact has been superseded for 2021/22 through revised valuations and that the cumulative impact on the CIES is not material.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £' 000 | Impact on total net expenditure £'000 | Impact on general fund £'000 | Reason for not adjusting |
|---|--|--|--|---------------------------------|--------------------------------|
| Ashton Green: the valuer has overstated this asset by value by £1,500k by failing to take into account a land sale which had impacted the site area, on which the asset was valued. The accounts have not been amended for this error. | 1,500 | -1,500 | 1,500 | - | Not material |
| Forest Lodge Education Centre: A formula error within a spreadsheet has led to an overstatement of this asset of £1,371k. The valuation spreadsheet has been checked by the Council's capital accountant for any similar errors and this was concluded to be an isolated instance. The financial statements have not been amended for this error. | 1,371 | -1,371 | 1,371 | - | Not material |
| Overall impact | £2,871 | -£2,871 | £2,871 | - | |



E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

| Audit fees | Proposed fee | Final fee |
|--|-----------------|----------------|
| Scale fee published by PSAA for 2022/23 (This includes 'baked-in' increases from previous years which continue to apply for future years in relation to: <ul style="list-style-type: none"> £4,375 pension valuations £5,438 for PPE valuations £6,250 for additional FRC challenge | 128,947 | 128,947 |
| Reduced materiality | 3,570 | 3,570 |
| ISA 540 | 6,000 | 6,000 |
| Enhanced journals testing | 3,000 | 3,000 |
| Infrastructure | 2,500 | 2,500 |
| Appointment of auditor's expert in respect of PP&E valuations | 5,000 | 5,000 |
| Enhanced audit procedures for Payroll – Change of circumstances | 500 | 500 |
| Enhanced audit procedures for Collection Fund - reliefs testing | 750 | 750 |
| Increased audit requirements of revised ISAs 315 | 5,000 | 5,000 |
| Additional work on Value for Money (VfM) under new NAO Code | 20,000 | 20,000 |
| Total fees per Audit Plan | 176,947 | 176,947 |
| Proposed additional fees due to extended testing in the areas of: Valuation of Council Dwellings; Grants; Debtors; Additions; Expenditure completeness; FTE data; Journals* | 6,500 | TBC |
| Total audit fees (excluding VAT) | £183.447 | £TBC |

* We have estimated a potential fee variation at this time. It is subject to discussion with management. As the audit is not yet complete we anticipate we may also need to seek a fee variation in relation to additional work performed and time incurred on the Council's valuation of other land and buildings, given the issues we have encountered in securing appropriate audit evidence. We will also seek a fee variation in respect of time spent on responding to the objection received.

- All variations to the scale fee will need to be approved by PSAA

E. Fees and non-audit services

| Non-audit fees for other services | Proposed fee | Final fee |
|---|----------------|-------------|
| Audit Related Services eg Grant Claims comprising: - 21-22 housing capital receipts grant which was delivered in 22-23 year - estimate for 22-23 housing benefit work of £62k based on prior year fee - 21-22 teachers pension return delivered in year | 75,500 | TBC |
| CFO Insights | 12,500 | 12,500 |
| Total non-audit fees (excluding VAT) | £88,000 | £TBC |

Note 33 External Audit Costs

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Council's external auditors:

| | 2021/22 | 2022/23 |
|---|------------|------------|
| | £000 | £000 |
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 173 | 179 |
| Fees payable for the certification of grant claims and returns for the year | 62 | 54 |
| Fees payable in respect of other services provided during the year | 26 | 30 |
| Total | 261 | 263 |

The proposed fees currently do not reconcile to Note 33, External Audit Costs, and therefore the note will need to be amended accordingly.

None of the above services were provided on a contingent fee basis.

This covers all services provided by us and our network to the Council, its executive and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

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| Area of change | Impact of changes |
|---|---|
| Risk assessment | <p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures the identification and extent of work effort needed for indirect and direct controls in the system of internal control the controls for which design and implementation needs to be assess and how that impacts sampling the considerations for using automated tools and techniques. |
| Direction, supervision and review of the engagement | <p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p> |
| Professional scepticism | <p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence increased guidance on management and auditor bias additional focus on the authenticity of information used as audit evidence a focus on response to inquiries that appear implausible |
| Definition of engagement team | <p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence. |
| Fraud | <p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors additional communications with management or those charged with governance |
| Documentation | <p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p> |

G. Management Letter of Representation

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Leicester City Council Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Leicester City Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include the valuation of property, plant and equipment and the valuation of the net pension liability. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged

G. Management Letter of Representation

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- c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report **and attached**. We have not adjusted the financial statements for these misstatements brought to our attention as **[they are immaterial to the results of the Council and its financial position at the year-end OR list reasons]**. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on

the grounds that :

- a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
- b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
- c. the Council's system of internal control has not identified any events or conditions relevant to going concern.
- d. We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements
- xv. We have considered whether accounting transactions have complied with the requirements of the Local Government Housing Act 1989 in respect of the Housing Revenue Account ring-fence.
- xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.
- xvii. We have considered whether the Council is required to reflect a liability in respect of equal pay claim within its financial statements. We confirm that we are satisfied that no liability needs to be recognised on the grounds that the Council applies the Greater London Provincial Council job evaluation scheme.

G. Management Letter of Representation

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The Council's process has been subject to recent audit, which concluded that the JE scheme used "should provide reliable and consistent job evaluation results".

Information Provided

xviii. We have provided you with:

- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
- b. additional information that you have requested from us for the purpose of your audit; and
- c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xix. We have communicated to you all deficiencies in internal control of which management is aware.

xx. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xxi. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Governance and Audit Committee at its meeting on **[ENTER DATE]**.

H. Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Leicester City Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Housing Revenue Account (HRA) Statements - Income and Expenditure Statement, the Housing Revenue Account (HRA) Statements – Movement in Reserve, the Collection Fund – Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit

Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Finance and Section 151 Officer's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Finance and Section 151 Officer's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public

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sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Finance and Section 151 Officer's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Finance and Section 151 Officer with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the Statement of Accounts, other than the financial statements and our auditor's report thereon. The Director of Finance and Section 151 Officer's is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'Delivering Good Governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;

H. Audit opinion

- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Director of Finance and Section 151 Officer

As explained more fully in the Statement of Responsibilities set out on pages 12 and 13, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Section 151 Officer. The Director of Finance and Section 151 Officer is responsible for the preparation of the Statement of Accounts, which includes 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 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Section 151 Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Section 151 Officer is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but

is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003), the Local Government Act 1972, the Local Government and Housing Act 1989, and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012)

We enquired of management and the Governance and Audit Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Governance and Audit Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement,

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including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of:

- Potential management bias in determining accounting estimates for the valuation of land and buildings and council dwellings
- Potential management bias in determining accounting estimates for the valuation of the net pension liability including application of IFRIC 14
- incomplete recognition of year-end non-pay operating expenditure

We determined that the principal risks were in relation to period end journal entries, and those posted on behalf of others. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals identified as being large and unusual,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of the valuation of other land and buildings, and council dwellings

challenging assumptions and judgements made by management in its accounting estimates for accruals These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and significant accounting estimates related to other land and buildings, council dwellings, and the net pension liability.. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE
 - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2023.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Leicester City Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources
- our consideration of an objection brought to our attention by [a local authority elector under section 27 of the Local Audit and Accountability Act 2014
- the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Authority for the year ended 31 March 2023.

H. Audit opinion

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2023.

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

I. Audit letter in respect of delayed VFM work

Councillor Manjit Kaur Saini
Chair of Governance and Audit Committee
Leicester City Council
City Hall
115 Charles Street
Leicester
LE1 1FZ

28 September 2023

Dear Councillor Manjit Kaur Saini,

2022/23 Annual Auditor's Report

The original expectation under the approach to VFM arrangements work set out in the 2020 Code of Audit Practice was that auditors would follow an annual cycle of work, with more timely reporting on VFM arrangements, including issuing their commentary on VFM arrangements for local government by 30 September each year at the latest. Unfortunately, due to the on-going challenges impacting on the local audit market, including the need to meet regulatory and other professional requirements, we have been unable to complete our work as quickly as would normally be expected. The National Audit Office has updated its guidance to auditors to allow us to postpone completion of our work on arrangements to secure value for money and focus our resources firstly on the delivery of our opinions on the financial statements. This is intended to help ensure as many as possible can be issued in line with national timetables and legislation.

As a result, we have therefore not yet issued our Auditor's Annual Report, including our commentary on arrangements to secure value for money. We now expect to publish our report no later than 28 February 2024.

For the purposes of compliance with the 2020 Code, this letter constitutes the required audit letter explaining the reasons for delay.

Yours faithfully

Grant Patterson, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

Counter Fraud Update

Governance and Audit Committee

Date of meeting: 22nd November 2023

Lead director: Amy Oliver

Useful information

- Ward(s) affected: All Wards
- Report author: Stuart Limb (Corporate Investigation Manager)
- Author contact details: (0116) 454 2615 / 37 2615 stuart.limb@leicester.gov.uk
- Report version number: Version 1

1. Summary

- 1.1 The purpose of this report is to inform the Committee of the work carried out by the Corporate Investigations Team during 2022/23 and the 2023/24 half year April 2023 to September 2023.

2. Recommendations

The Governance and Audit Committee is recommended to:

- a) Receive and comment on the report.
- b) Make any recommendations it sees fit to the Executive and/or the Director of Finance.

3. Background

- 3.1 This report includes statistical information on fraud cases identified, referred and, where appropriate, investigated by the Corporate Investigations Team.
- 3.2 As part of its work, the Corporate Investigations Team investigates suspected financial irregularities and makes recommendations to reduce the risk of further losses and improve performance, efficiency, effectiveness and economy in the use of resources by the Council.

4. Detailed report

- 4.1 The work of the Corporate Investigations Team includes proactive data matching (such as Right to Buy applications) and reactive referrals received relating to suspected financial irregularities. These two work types cover the majority of activity.
- 4.2 The work to conduct background checks on every Right to Buy application on council homes remains a key objective to ensure that the purchases are valid. This includes checks to ensure the tenant is still resident and the source of the funding to purchase the property is legitimate and evidenced. Where irregularities or concerns are raised, the issues are addressed with Legal Services and the Right to Buy Team. This not only identifies irregularities that may prevent a sale, but also provides a higher level of assurance for those sales that do proceed. The assessed savings in 2022/23 from the loss of rents had invalid sales proceeded was £1.03m.

- 4.3 The Team undertakes an annual review of empty residential properties to ensure that the council tax discounts awarded are correct. Where a property is identified as being occupied the account is corrected and recovery of the council tax owing is pursued. Together with related checks such as single person discount, in-year savings in 2022/23 of £27,000 were made.
- 4.4 The Team works in close partnership with the school admissions section to validate the details submitted in the applications for school places. The validation checks that the data submitted is correct and that the school places allocated are valid. This is to ensure that those children who are allocated a school place are based on their correct addresses. The assessed savings in 2022/23 on the costs of school places were £235,000.
- 4.5 The Team also works to ensure that tenancies of council houses remain in the possession of the named tenant and are not either sublet or left empty. As part of this work, the Team identified properties where the tenant had parted with possession and subsequently the tenancy was ended and brought back into proper occupation by those in genuine need of council accommodation. The assessed savings in 2022/23 was £199,000.
- 4.6 The combined loss avoidance and income generated from savings in 2022/23, including the above, was assessed as £1.6m for the year.
- 4.7 Moving into 2023/24, the total assessed savings for the first half year is £328,000. During the second half, the Team will be checking school admissions, Small Business Rate Relief awards, empty properties for council tax and raising awareness of the work of the Team through schools and internal departments. It is anticipated that these proactive exercises will yield some considerable savings for the remainder of the financial year.
- 4.8 The National Fraud Initiative (NFI) matches were released to the Council in late January 2023, and form part of the Team's work programme in 2023/24. The data matches have been shared with departments to work through to identify any potential irregularities. Any suspected frauds will be referred back to the Team for investigation. Progress on the matches will be reported in due course.
- 4.9 The Council continues to benefit from membership of the National Anti-Fraud Network (NAFN), which alerts member authorities to the latest phishing emails and frauds. These alerts are shared across the Council to ensure awareness is raised and efforts to prevent attempted fraud are enhanced. They are an excellent fraud prevention tool as they help to ensure new emerging risks nationally are highlighted.
- 4.10 The Corporate Investigation Manager considers management requests for access to the records of employees' emails, internet access, computers and the building access system (which gives staff access to Council buildings). Supported requests are then presented to the Director of Finance for authorisation. The majority of requests were for information from more than one system and some requests were for information relating to a number of users. During 2022/2023, some 35 requests were received and processed in accordance with internal policy and national legislation.
- 4.11 Statistical information on service demand and associated activity for the first half year 2023/24 and the full year 2022/23 is detailed in the table.

| | April 23 to Sept' 23 | 2022/2023 |
|------------------------------------|----------------------|-----------|
| Registered | 145 | 305 |
| Screened out | 69 | 151 |
| Investigations In Progress at end | 71 | 78 |
| Cautions Accepted | 0 | 0 |
| Administrative Penalties Accepted | 1 | 1 |
| Prosecutions - Successful (Guilty) | 3 | 2 |
| Total files with Solicitors | 8 | 6 |

5. Financial, legal and other implications

5.1 Financial implications

Fraud can cause the Council significant loss; hence activity to prevent and detect fraud is a clear financial investment and a key component of good financial control and governance.

Colin Sharpe, Head of Finance

5.2 Legal implications

Fraud is a criminal offence and therefore represents breach of the law. Other forms of financial irregularity, though not criminal, may be in breach of regulation. The conduct of counter-fraud work of all kinds is bound by law and regulation and the Council is careful to ensure that its activities in this area are properly discharged.

Kamal Adatia, City Barrister & Head of Standards

5.3 Equalities implications

The report provides an annual update to the Governance and Audit committee on the work carried out by the Corporate Investigations Team.

There are no significant equality and diversity implications arising from the report.

Surinder Singh, Equalities Officer

5.4 Climate Emergency implications

This report does not contain any significant climate emergency implications.

5.5 Other implications

None

6. Background information and other papers:

- Local Government Act 1972
- Leicester City Council's Anti-Fraud, Bribery and Corruption Policy
- Leicester City Council's Finance Procedure Rules
- Leicester City Council's Constitution
- Leicester City Council's Code of Conduct for Behaviour at Work
- Leicester City Council's Information Security Policy Statement
- Leicester City Council's Prosecutions Policy
- Leicester City Council's Investigators Code of Conduct

- Public Bodies Corrupt Practices Act 1889
- Chartered Institute of Public Finance & Accountancy (CIPFA) publication
Managing The Risk of Fraud

- The Prevention of Social Housing Fraud Act 2013

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"?

No

Annual Insurance Report 2023

Governance & Audit Committee

Date of meeting: 22nd November 2023

Lead director: Director of Finance

Useful information

■ Ward(s) affected: All

■ Report author: Stuart McAvoy, Head of Finance &
Catherine Taylor, Chief Accountant

■ Author contact details: 0116 454 4004; stuart.mcavoy@leicester.gov.uk

■ Report version number: 1

1. Summary

This report:

- presents an overview of the Council's internal and external insurance arrangements;
- provides information on the claims received in recent years, and the results of the claims handling process.

2. Recommended actions/decision

The Committee is recommended to note the contents of the report, and the Council's approach to ensuring it is managing the financial risk associated with insurance claims.

3. Background

This report updates the information presented to the Audit & Risk Committee in September 2022.

4. Report

4.1 Risk Financing

4.1.1 Risk Financing may be defined as the process by which the Council ensures sufficient funds are available to pay for financial losses, using the most cost-effective sources of finance. For insurable risks (it should be noted that not all risks are insurable) this requires a balance between the amount of risk the Council is prepared to take, and the premium payable. The overall approach to risk financing is set out in the Risk Management Policy.

4.1.2 The most significant decision which affects this cost-risk balance is the level of "deductible" (excess) that the Council meets from its own resources. As with household policies, we can save money by taking a higher excess. High deductibles, however, also expose the Council to greater risk. The deductible is generally on a "per claim" basis, although the risk can be reduced further by including an aggregate limit which caps the total annual amount of the Council's exposure. The Council accepts very high deductibles, bearing the full cost of most claims itself, through the insurance fund (see below). This is because the Council is big enough to accept a

lot more risk than individual householders and sees its external insurance primarily as cover for catastrophes.

- 4.1.3 Robust risk management across the organisation reduces both the amounts payable in self-insured amounts and the external premium charged. However, it is neither possible nor desirable to eliminate all risks from service delivery. An effective strategy for financing these residual risks is therefore required.

4.2 Financial Position – Annual Budgets

- 4.2.1 Since 2020/21, the annual costs of insurance are held as a corporate revenue budget, outside departmental budgets. This budget funds the costs of external premiums, deductible payments on claims, and claims handling costs.
- 4.2.2 The 2023 budget stands at £2.5m per year, which covers both external insurance premiums and the cost of claims within the deductible.
- 4.2.3 Since October 2023, the Council no longer directly insures maintained schools. Instead, schools have access to a government-backed scheme (the Risk Protection Arrangement, or RPA) which is an alternative to insurance for schools.

4.3 Financial Position – Insurance Fund

- 4.3.1 As claims received can show considerable variations between years, the Council also holds a corporate insurance fund to smooth out the impact of actual costs on the annual corporate revenue budget from year to year, and to ensure that funds are available to meet claims when they occur.
- 4.3.2 The Council's policy is to maintain sufficient funding to meet all claims on a "claims occurring" basis. This includes legal and other costs associated with defending the claim, as well as any compensation due to the claimant. As a minimum, therefore, the fund will hold:
- Amounts required for claims received but not yet settled;
 - Amounts required for claims relating to events that have occurred, but no claim has yet been notified to the Council (e.g. a person who is injured has 3 years to bring a claim against the Council in most cases).
- 4.3.3 The amount required in the fund at any time can only ever be an estimate, and depends on a number of assumptions about liability and settlement amounts. The balance on the fund is reviewed at least annually, informed by officers' assessments of specific large claims and historical data. Further assurance is provided by an external actuary's report. A report was produced in autumn 2022, which showed a surplus on the fund balance against expected liabilities. £5.5m was released from the fund to support future capital expenditure.

4.3.4 As at 31st March 2023, the balance on the insurance fund was £9.8m. For accounting purposes, this is split between a provision (for “known” claims) and an earmarked reserve for other costs, but in practice it is managed as a single fund.

4.4 External insurance

4.4.1 In financial terms, the most significant classes of insurance are Property, Motor and Combined Liability (Employers’ and Public Liability).

4.4.2 The insurance market remains difficult, with cost pressures arising across the market. The key drivers of this are outside the control of any single organisation:

- For property insurance, the increasing risk of adverse weather events (e.g. flooding and storms). These events can have huge costs for insurers, resulting in multiple large claims from a single event;
- For liability and motor insurance, the ongoing trend of increasing costs in the most serious injury cases.
- It is not yet clear what impact the current issues around RAAC concrete will have on premiums nationally, as insurers react to the property and liability risks.

4.4.3 A summary of the current package of insurance is attached at Appendix One. The main insurance contracts come to an end on 30th September 2024, and a retendering exercise is underway.

4.4.4 One of our insurance providers (covering buildings insurance for leasehold properties) withdrew at short notice from providing these policies from the new financial year. As a result, a one-year policy has been put in place to ensure continuity of cover; a new tender process will be required for cover from 1st April 2024. This remains a difficult market, with a limited number of providers prepared to offer cover.

4.5 Claims information

4.5.1 The greatest numbers of claims arise from activities connected to Highways Maintenance; motor claims; and Housing services. This is because of the nature of these service areas and does not imply poor performance.

4.5.2 The following tables provide a summary of the claims received in significant categories, and the results of the claims investigations, from the past 3 years.

4.5.3 For Highways-related claims, repudiation rates (i.e. the proportion of claims where liability is successfully denied) are generally over 80% once claims are finalised. While reliable comparator data are not currently available, informal discussions with other authorities suggest that this is a significantly better result than the East Midlands average. Successful repudiation of Highways claims requires evidence of a robust inspection and repairs process, which provides a legal defence to these claims.

Public Liability – Highways – Personal Injury

| Financial Year | LCC at fault | No fault |
|----------------|--------------|-------------|
| 2020-21 | 13 (34%) | 25 (66%) |
| 2021-22 | 4 (8%) | 44 (92%) |
| 2022-23 | 2 (3%) | 63 (97%) |

Public Liability – Highways – Property Damage

| Financial Year | LCC at fault | No fault |
|----------------|--------------|-------------|
| 2020-21 | 18 (31%) | 40 (69%) |
| 2021-22 | 5 (11%) | 41 (89%) |
| 2022-23 | 3 (4%) | 76 (96%) |

Motor Policy claims

| Financial Year | LCC at fault | Third Party at fault | 50/50 fault or no fault identified | Theft / vandalism against LCC vehicles |
|----------------|--------------|----------------------|------------------------------------|--|
| 2020-21 | 82 (64%) | 30 (23%) | 12 (9%) | 5 (4%) |
| 2021-22 | 117 (58%) | 64 (32%) | 16 (8%) | 6 (3%) |
| 2022 - 23 | 105 (56%) | 43 (23%) | 26 (14%) | 13 (7%) |

Public Liability – Council Housing

| Financial Year | LCC at Fault | Contractor at Fault | No fault |
|----------------|--------------|---------------------|-------------|
| 2020-21 | 24 (28%) | 1 (1%) | 60 (71%) |
| 2021-22 | 10 (16%) | 1 (2%) | 53 (83%) |
| 2022 - 23 | 6 (7%) | 2 (2%) | 80 (91%) |

4.5.4 Complex claims will often not be finalised until some years after the incident. As a result, the cost of claims arising in 2023 will not be finally known for some years. The amount actually *paid* from the insurance fund in each financial year (regardless of when the claim originated) on each of the major types of claim is shown below. (This does not include amounts met by insurers on large claims):

| Policy Type | 2020-21 £000's | 2021-22 £000's | 2022-23 £000's | 3-year total £000's |
|------------------------------------|-------------------|-------------------|-------------------|------------------------|
| General Property | 92.7 | 206.5 | 46.3 | 345.5 |
| Employer's Liability | 388.6 | 365.4 | 337.0 | 1091.0 |
| Public Liability | 503.7 | 460.1 | 663.0 | 1626.8 |
| Officials / Professional Indemnity | 0 | 13.4 | 0 | 13.4 |
| Motor | 180.9 | 168.2 | 214.2 | 563.3 |
| Total | 1,165.9 | 1,213.6 | 1,260.5 | 3,640.0 |

4.5.5 Amounts paid in an individual year are variable; however, the greatest costs to the Council are from employer's liability, public liability and motor claims. [Within this, employer's liability claims tend to be higher value per claim but are fewer in number]. Other classes of insurance claim have a relatively small financial impact in most years. Whilst we get more claims in respect of highways and housing, these tend to be of lower value.

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

5.1 Financial implications

The report is concerned throughout with financial implications.

5.2 Legal implications

The report deals with insurance and the risks associated with insurance claims. The clients are best placed to assess such risks and the appropriate level of cover to put into place to protect the Council, and as such legal officers have not been involved in this part of the process.

If any insurance arrangements are changing, then this may affect the levels of cover that the Council expects from suppliers going forward and this should be reflected in any terms and conditions put into place.

Legal Services have been involved in the direct award of the 12 month insurance policy after the previous provider terminated with very insufficient notice to carry out a full re-procurement. Given that this has occurred and that as noted in the report, the insurance market remains difficult, it is advised that all necessary efforts are put into place to ensure

that the new procurement runs to the set timetable and that Procurement and Legal are kept involved in the process.

Tracey Wakelam - Principal Lawyer (Commercial, Property and Planning)

5.3 Equalities implications

This report provides an overview of the Council's internal and external insurance arrangements, there are no direct equality implications arising from it. It is important that any claims process is accessible.

Surinder Singh - Equality Officer

5.4 Other implications

No other implications are noted as this is a briefing report and no policy changes are proposed.

6. Summary of appendices:

Appendix One – Summary of External Insurance Cover

7. Is this a private report?

No

8. Is this a “key decision”?

No

Summary of External Insurance Cover – as at October 2023

| | Main features of cover | Insurer | Deductible (per claim) |
|----------------------------------|---|----------------|--|
| General Property | Buildings & contents insurance; including works in progress, and increased cost of working following a claim | AIG | £100,000 (general) £1m for social housing stock |
| Industrial & Commercial Property | Buildings cover for properties owned by the Council and rented out to third parties (e.g. shops, industrial units). | AIG | £250 |
| Casualty (Combined Liability) | a) Employer's Liability – legal liability for injury / illness to employees (plus others carrying out Council business, e.g. elected Members). Employer's Liability insurance is a legal requirement. b) Public Liability – claims for personal injury or property damage by external third parties c) Professional Indemnity – claims alleging that professional services or advice have not been carried out correctly. | QBE | £375,000 £375,000 £375,000 |
| General Motor Fleet | Comprehensive motor policy for Council vehicles. Motor insurance is a legal requirement. | QBE | £200,000 |
| Personal Accident / Travel | Personal accident cover for employees on Council business; travel insurance for employees on Council business | Chubb | N/A |
| Engineering & Inspection | Inspection contract to meet statutory requirements on equipment; and associated insurance cover | Aviva | N/A |
| Fine Arts | Specialist cover for museum & art gallery collections | Axa Art | Nil |

Please note that the table above presents only a broad summary of the insurance arrangements, and not the full detail of cover or exclusions.



Leicester City Council Governance & Audit Committee
22nd November 2023

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

Progress against Internal Audit Plans

Purpose of Report

1. The purpose of this report is to provide:

Summary of progress against the 2023-24 and prior year Internal Audit Plans including:

- i. summary information on progress with implementing high importance recommendations.
- ii. summary of progress against the Internal Audit Plans.
- iii. commentary on the progress and resources used.

Recommendation

2. That the contents of the report be noted.

Background

3. The Council's internal audit function was delegated to Leicestershire County Council in 2017.
4. Within its Terms of Reference the Governance & Audit 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. It also has a duty to review and approve the Head of Internal Audit Service's annual report containing an opinion on the overall adequacy and effectiveness of the Council's control environment, and conformance to the Public Sector Internal Audit Standards (the PSIAS).
5. 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.

6. 'Partial' ratings are normally given when the auditor has reported to management at least one high importance (HI) recommendation. A HI recommendation denotes that there is either an absence of control or evidence that a designated control is not being operated and as such the system is open to material risk exposure. It is particularly important therefore that management quickly addresses those recommendations denoted as HI and implements an agreed action plan without delay. HI's are reported to this Committee and a follow up audit occurs to confirm action has 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.
7. 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.
8. 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.
9. 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.

Progress with implementing high importance recommendations

10. The Committee is tasked with monitoring the implementation of high importance (HI) recommendations which primarily lead to low assurance levels. **Appendix 1** 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 sufficient evidence or even specific re-testing by an auditor) that action has been implemented.
11. At the end of the year, as part of the process of determining his annual opinion, the HoIAS takes account of how management has responded to implementing high importance recommendations. Responses are generally positive however there is recognition that some recommendations do require more time to fully implement.

To summarise movements within Appendix 1 as at 6th November 2023.

- a. New
 - i. None
- b. Ongoing/extended (date initially reported & number of extensions granted)
 - i. Key ICT Controls 2020-21 (September 2022 - 3)
 - ii. Direct Payments (November 2022 - 3)
 - iii. CCTV (July 2023 – 1)
- c. Closed (date initially reported to Committee)
 - i. GDPR #2 (June 2020 - 9)
 - ii. Bed & Breakfast Emergency Placement (March 2023- 3)

Summary of progress 31st October 2023

12. **Appendix 2** reports on the position at 31st October 2023. The table shows the status on prior year and 2023-24 audits between the period 1st April 2023 to 31st October 2023:

| | Prior year @ 31/10/2023 | 2023-24 @ 31/10/2023 |
|-----------------------------|--|-------------------------------------|
| Outcomes | | |
| High(er) Assurance levels | 8 | 4 |
| Low(er) Assurance levels | 1 | 0 |
| Advisory | 3 | 3 |
| Grants/other certifications | 0 | 11 |
| HI follow ups – completed | 3 | 0 |
| Audits finalised | 15 | 18 |
| Audits in progress | 3 | 46 |
| HI follow ups – in progress | 3 | 0 |
| Not yet started | 0 | 13 |
| Deferred /Cancelled | 0 | 1 |

Summary of resources used in 2023-24 (as at 31st October 2023)

13. To close off prior year audits, progress 2023-24 audits (reported in Appendix 2), and provide additional work relating to requirements such as planning, reporting to Committees etc, at 31st October 2023; Leicester City Council had received 417 days of internal audit input (see below table). Previously reported 275 days at 31 August.

| | @31/10/2023 | @ 31/10/2023 |
|------------------------------------|--------------------|---------------------|
| By type | Days | % |
| Relating to prior years audits (*) | 81 | 19% |
| Relating to audits started 2023-24 | 290 | 70% |
| Sub-total audits | 371 | 89% |
| Client management | 46 | 11% |
| Total | 417 | 100% |
| | | |
| By position | | |
| HolAS | 16 | 4% |
| Audit Manager | 71 | 17% |
| Audit Senior (incl. ICT) | 178 | 43% |
| Auditor | 152 | 36% |
| Total | 417 | 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

14. Progress continues to be made with the Internal Audit plan delivery; however, considerable delays in getting agreed management responses has delayed finalising two of the three prior year audits. Also a number of audits in the 2023-24 plan have been delayed, as Auditors are awaiting information from the client; it is acknowledged officers have competing demands, however these delays increases the workloads in the latter months of the year and causes pressure in completion of the plan in the final quarters. The Head of Finance (continuing to act as client liaison) has been kept informed of these delays and is assisting in finalising the prior year audits and progressing 2023-24 planned audits.

Audits have been added to the plan during the course of the year; due to the urgent nature of this work, these have been picked up by Auditors at short notice, examples include the BACs/DD audit and recently work has started on the Social Care Finance system (Controcc) & Online Financial Assessment Audit which requires completion by early December.

The current position is 417 days have been delivered as at 31st October 23, which is a little light for this point in time; contributing factors for this include the delay in agreeing the Internal Audit plan, delays encountered with audits, holiday period and the extended absence of the Audit Manager on Jury service. However, good progress has been made in the last two months with 142 days delivered; co-

operation and good client engagement will be necessary to help ensure Internal Audit complete the remaining audits in a timely manner and deliver the 800 days as per the delegation.

High importance recommendations continue to be followed up; good progress has been made with two more being closed off since the last report; the GDPR was one of these which had a number of extensions to their target dates.

Financial Implications:

15. There are no direct financial implications arising from this report. However, as a result of the work carried out, assurance regarding the operation of key financial systems is gained and there would be an expectation that implementing internal audit recommendations could improve effectiveness, efficiency and economy.

Legal Implications:

16. None.

Equal Opportunities Implications

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

Climate Emergency Implications:

18. None

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)?

19. No.

Is this a “key decision”? If so, why?

20. 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 2022-23 & 2023-24

Officer to Contact

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Leicestershire County Council
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Email: neil.jones@leics.gov.uk

| | |
|------------|---|
| Appendix 1 | High Importance Recommendations as at 6 th November 2023. |
| Appendix 2 | Summary of Internal Audit Service work undertaken between 1 st April 2023 - 31 st October 2023. |

High Importance Recommendations – Position at 6th November 2023

| <u>Audit Title (Owner)</u> | <u>Summary of Finding(s) and Recommendation(s)</u> | <u>Management Response</u> | <u>Action Date (by end of)</u> | <u>Confirmed Implemented</u> |
|---|---|--|--|---|
| Reported July 2023 | | | | |
| 2022-23 CCTV (Head of Standards & Development) | <p>Three High Importance recommendations were raised in this report:</p> <ol style="list-style-type: none"> 1. A decision needs to be made on how the standalone CCTV installations can be captured. and how these should be recorded and managed 2. Compliance reviews should be undertaken on the standalone CCTV installations. 3. Guidance should be developed for Business Risk Owners on the correct processes to follow when procuring a new CCTV system. | <p>A CCTV Working Group has been established and the first meeting was held in October 2023. The CCTV Code of Practice and Best Practice Guide for Standalone sites has been updated and circulated. IT procurement have been included into the working group and are working on a new procurement process for ad-hoc CCTV systems.</p> <p>Work is progressing on the recommendations.</p> | Dec 23 Extend to Jan 24 | |
| Reported March 2023 | | | | |
| (2021-22) Bed & Breakfast Emergency Placement (Head of Service - Housing) | <p>One high importance recommendation was made.</p> <p>Findings: Audit testing identified a number of service charges for booking hotels and breakfast charges, which were considered to be incorrectly charged as per the contract.</p> <p>Recommendation: Advice should be sought from Legal Services to establish exactly what charges the Council should be legitimately paying as per the contract. Following this advice, any charges that are considered to be overcharges should be promptly recovered.</p> | <p>Management have confirmed that they are actively monitoring payments.</p> <p>Audit testing has confirmed invoices are being checked to ensure that the charges are in line with the contract and where appropriate management are pursuing any overcharges, where overpayments have been identified.</p> | Dec 22 Mar 23 Aug 23 Extend to Sept 23 | Yes |

| | | | | |
|---|---|--|---|--|
| Reported November 2022 | | | | |
| (2021-22) Direct Payments (Head of Locality East/SRCT and Care Navigators) | <p>The audit highlighted weakness in the annual review process. One high importance recommendation was made:</p> <p>Annual reviews of the support plans should be undertaken to establish whether the needs of the person on Direct Payments had changed, and the Direct Payments remained appropriate.</p> | <p>Testing the risk matrix for overdue reviews, especially for those who are waiting more than 24+ months and living on their own, has just started . The DP reviews do not have priority over the overall reviews. Those who are in receipt of Direct Payments in Mental Health, Learning Disability and Locality West, each Head of Service is responsible for prioritising the overdue reviews by using the risk matrix. Eight Social Care Practitioners have been appointed as additional staff to focus on the overdue reviews in each service area (2 additional staff per area). Whilst the Head of Locality East/SCRT is the DP lead, he is not responsible for the reviews across the Department as each service areas have to deal with this with their own priorities/risks.</p> | <p>Jan 2023 Jun 2023 Dec 2023 Extend to Jan 2024</p> | |

| | | | | |
|---|--|---|--|--|
| Reported Sept 2022 | | | | |
| Key ICT Controls (2020-21) (Head of IT Operations) | <p>The audit identified a number of weaknesses, three high importance recommendations were made in the report:</p> <ol style="list-style-type: none"> 1. Adequate Disaster Recovery (DR) governance arrangements should be established. 2. A High-level Disaster Recovery Test Strategy should be developed with lower-level assessments being undertaken for individual DR tests as they are planned. 3. Resiliency testing of the network and key applications should be planned and undertaken as soon as possible | <p>The Council's ICT partner is currently on site assisting with the build of the DR Cluster. ICT expect to have that completed in November as previously agreed. Once complete they will be undertaking a controlled test, This is expected to be sometime during December 2023.</p> | <p>Dec 2022 April 2023 Nov 23 Extend to Jan 24</p> | <ol style="list-style-type: none"> 1. Yes 2. Yes 3. No |
| Reported June 2020 | | | | |
| GDPR (Data Protection Officer – DPO) | <p>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.</p> <p>Two High Importance recommendations were made, one of which was cleared at the last Committee update. The remaining HI is as follows:</p> <p>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.</p> | <p>The Data Protection and Digital Information Bill is still with the parliamentary system and is due to go to the Lords. The Data Protection Officer confirmed that they do not expect anything on this now until at least December in Parliament, and latest comments from civil servants indicates it will not become an Act until Summer 2024 as opposed to Spring 2024. (If there's no election before then).</p> <p>The new Act will still require a Record of Processing Activity (ROPAs)/ Information Asset Registers to be maintained for all high risk processing activities. It has therefore been</p> | <p>Jan 21 June 21 Sept 21 Dec 21 Jan 22 Apr 22 Nov 22 July 23 Sept 23 Extend to Dec 23</p> | <ol style="list-style-type: none"> 1. Yes 2. Yes |

| | | | | |
|--|--|--|--|--|
| | | <p>confirmed that the Information Governance Team will continue to maintain all ROPAS for high risk processing activities as a minimum and this will be through engagement with relevant Information Asset Owners.</p> <p>Examples of completed ROPAs for high risk areas such as Children's and Adults Social Care was obtained by Internal Audit</p> | | |
|--|--|--|--|--|

Appendix 2 : Summary of Internal Audit work as at 31st October 2023

Appendix 2: Leicester City Council 2023-24 Audit Plan (includes prior year audits b/fwd) - Audits Finalised as at 31.10.2023

| Audit Plan Yr | Plan State | Client Title | Audit Plan Area Names | Audit Title | Assurance Level |
|----------------|----------------------|-------------------------------|---|---|------------------------------|
| 2022-23 | Planned | Leicester City Council | Internal Control | SEND Funding | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | Governance | Contract Audits : Evaluation Process | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | IT & Information Governance | IT Audit: Cyber security | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | Governance | Health & Safety phase 2 | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | Governance | Constitutional changes | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | Governance | Climate change and carbon emissions (phase 1&2) | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | Internal Controls & Governance | Childrens Placements | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | Risk Management | Information Governance - 3rd Party Data Management | Substantial Assurance |
| 2022-23 | Planned | Leicester City Council | Governance | CCTV | Partial Assurance |
| 2022-23 | Planned | Leicester City Council | Governance | Risk of governance failings | Complete |
| 2022-23 | Planned | Leicester City Council | Risk Management | Strategic Risk Management Process | Complete |
| 2022-23 | Added to Plan | Leicester City Council | Internal Control | Imprest Account (A&A) | Complete |
| 2023-24 | Planned | Leicester City Council | Contract Audit | PFI Project - Waste RE-Procurement | Substantial Assurance |
| 2023-24 | Planned | Leicester City Council | Internal Control | Montrose Primary School | Substantial Assurance |
| 2023-24 | Planned | Leicester City Council | Internal Control | Housing Stores | Substantial Assurance |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | School Financial Audits - Montrose Primary School | Substantial Assurance |
| 2023-24 | Planned | Leicester City Council | Internal Control | Multiply Funding Grant | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | LLEP - Core Growth Hub Grant Funding | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Adriatic 7 Limited Service Charges | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Supporting Families - Claim 1 | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Home Upgrade Grant Phase 1(HUG 1) | Certified |

| | | | | | |
|---------|---------------|------------------------|-----------------------------|--|-----------|
| 2023-24 | Planned | Leicester City Council | Internal Control | Grant Audit - Bus Services Operator Grant (BSOG) | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Leaseholder Accounts | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Supporting Families - Claim 2 | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Grant Audit - Changing Places Fund | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Local Transport Capital Funding | Certified |
| 2023-24 | Planned | Leicester City Council | Internal Control | Disabled Facilities Grant | Certified |
| 2023-24 | Added to plan | Leicester City Council | Internal Control | Post Room Move | Complete |
| 2023-24 | Added to Plan | Leicester City Council | IT & Information Governance | BACs/DD - Phase 1 | Complete |
| 2023-24 | Added to Plan | Leicester City Council | IT & Information Governance | Mobile Chip and PIN - A&A | Complete |

Appendix 2: Leicester City Council : 2023-24 Audit Plan (includes prior year audits b/fwd) - Status of audits awaiting completion as at 31.10.2023

| Audit Plan Yr | Plan State | Client Title | Audit Plan Area Names | Audit Title | Current Milestone |
|---------------|---------------|------------------------|-----------------------------|---|----------------------|
| 2022-23 | Planned | Leicester City Council | Governance | Haymarket | Draft Report |
| 2022-23 | Planned | Leicester City Council | Governance | Contract Audits : Contract monitoring | Draft Report |
| 2022-23 | Planned | Leicester City Council | Governance | Contract Audits : Consultancy Contract | Revised Draft Report |
| 2023-24 | Planned | Leicester City Council | Internal Control | School Financial Audits : Herrick Primary School | Draft Report |
| 2023-24 | Planned | Leicester City Council | Internal Control | Transforming Cities Fund | Draft Report |
| 2023-24 | Planned | Leicester City Council | Internal Control | Construction (Design & Management) Regulation - Phase 2 | Draft Report |
| 2023-24 | Planned | Leicester City Council | Internal Control | Contract Auditing - Bid Rigging | Draft Report |
| 2023-24 | Planned | Leicester City Council | Internal Control | School Financial Audits :Wolsey House Primary School | Revised Draft Report |
| 2023-24 | Planned | Leicester City Council | Internal Control | School Financial Audits : Spinney Hill Primary School | Draft awaiting issue |
| 2023-24 | Planned | Leicester City Council | Internal Control | Council assets transferred | Draft awaiting issue |
| 2023-24 | Planned | Leicester City Council | Governance | Contract Audit: Agency | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Local Authority Delivery Phase 3 (LAD 3) Grant | Work in Progress |
| 2023-24 | Added to Plan | Leicester City Council | IT & Information Governance | BACs/DD - Phase 2 | Work in Progress |

| | | | | | |
|----------------|----------------|-------------------------------|-------------------------------|---|-------------------------|
| 2023-24 | Planned | Leicester City Council | Internal Control | Bus Lane Penalty Enforcements (BLPE) | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Car Parking Income | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Major Financial Systems(MFS) - Creditors | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Fostering & Adoptions | Work in Progress |
| 2023-24 | Planned | Leicester City Council | IT & Information Governance | IT Audit - Concerto upgrade | Work in Progress |
| 2023-24 | Planned | Leicester City Council | IT & Information Governance | IT audit - Unit 4 Development Project | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | Self-Assessment against CIPFA Code of Practice on Fraud | Work in progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Major Financial Systems(MFS) - Payroll | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Household Support Fund | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | School Absence Monitoring | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | IR35 | Work in Progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | GP Payments | Work in progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | SEND Transport | Work in progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Subsidy Control Regime | Work in progress |
| 2023-24 | Planned | Leicester City Council | Internal Control | Assets Valuation | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control | Procurement Bill | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | Corporate Landlord | Planning |
| 2023-24 | Planned | Leicester City Council | Risk Management | Suppliers BC Plans | Planning |
| 2023-24 | Planned | Leicester City Council | Governance | LLEP | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control | Major Financial Systems(MFS) - Treasury Management | Planning |

Appendix 2: Leicester City Council : 2023-24 Audit Plan (includes prior year audits b/fwd) - Status of audits awaiting completion as at 31.10.2023 (continued from page 2)

| Audit Plan Yr | Plan State | Client Title | Audit Plan Area Names | Audit Title | Current Milestone |
|----------------------|----------------------|-------------------------------|--|--|--------------------------|
| 2023-24 | Added to Plan | Leicester City Council | IT & Information Governance | IT Audits - DWP Data Security | Planning |
| 2023-24 | Planned | Leicester City Council | IT & Information Governance | IT Audits - Key ICT (includes Cyber Security follow-up) | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | School Financial Audits - Catherine Primary | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | School Financial Audits - Madani Schools | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control | Schools Finance | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control | Workspaces | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | Parks & Open Spaces | Planning |

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|---------|---------------|------------------------|-------------------------------|--|-------------|
| 2023-24 | Planned | Leicester City Council | Risk Management | Fire and building safety - owned and occupied buildings | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | Levelling Up Projects | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control | Disposal of Assets | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | Selective Licencing | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | Revenue & Benefits Savings | Planning |
| 2023-24 | Planned | Leicester City Council | IT & Information Governance | PCI compliance | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control | Income Procedures | Planning |
| 2023-24 | Added to Plan | Leicester City Council | Internal Control & Governance | ContrOCC and Online Financial Assessments | Planning |
| 2023-24 | Planned | Leicester City Council | Internal Control | Supporting Families - Claim 3 | Planning |
| 2023-24 | Added to Plan | Leicester City Council | IT & Information Governance | BACs/DD - Phase 3 | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | School Financial Audits - Merrydale Infant School | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control & Governance | School Financial Audits - Catherine Infant School | Not started |
| 2023-24 | Planned | Leicester City Council | IT & Information Governance | IT Audits : CRM/Gladstone | Not started |
| 2023-24 | Planned | Leicester City Council | IT & Information Governance | IT Audits : ONE Education System | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control | Contract Audit : Due diligence | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control | Contract Audit : Low value contracts/Contract monitoring | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control | Transforming Cities Fund - TCF 1 | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control | Transforming Cities Fund - TCF 2 | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control | Supporting Families - Claim 4 | Not started |

Appendix 2: Leicester City Council : 2023-24 Audit Plan (includes prior year audits b/fwd) - Status of audits awaiting completion as at 31.10.2023 (continued from page 3)

| Audit Plan Yr | Plan State | Client Title | Audit Plan Area Names | Audit Title | Current Milestone |
|---------------|------------|------------------------|-----------------------|---|-------------------|
| 2023-24 | Planned | Leicester City Council | Internal Control | Social Housing - Decarbonisation Fund Wave 1 | Not started |
| 2023-24 | Planned | Leicester City Council | Internal Control | ULEV Taxi Infrastructure Scheme Project Grant | Not started |

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|---------|---------|------------------------|------------------|--|-------------|
| 2023-24 | Planned | Leicester City Council | Internal Control | Zero Emission Bus Regional Areas Grant | Not started |
|---------|---------|------------------------|------------------|--|-------------|

Appendix 2: Leicester City Council : HI recommendations follow ups as at 06.11.2023

| Audit Plan Yr | Plan State | Client Title | Audit Plan Area Names Title | | Current Milestone |
|---------------|------------|------------------------|--------------------------------|--|-------------------|
| 2019-20 | Planned | Leicester City Council | IT & Information Governance | GDPR#2 | Complete |
| 2021-22 | Planned | Leicester City Council | IT & Information Governance | Key ICT General Controls | In progress |
| 2021-22 | Planned | Leicester City Council | Systems & Governance | Direct Payments | In progress |
| 2021-22 | Planned | Leicester City Council | Internal Controls & Governance | Bed & breakfast Emergency Planning | Complete |
| 2022-23 | Planned | Leicester City Council | Internal Controls & Governance | Construction Projects (CDM Compliance) | Complete |
| 2022-23 | Planned | Leicester City Council | Internal Controls & Governance | CCTV | In progress |

Appendix 2: Leicester City Council 2022-23 Audit Plan - Deferred/Cancelled/Reserve Audit as at 31.10.2023

| Audit Plan Yr | Plan State | Client Title | Audit Plan Area Names Title | | Current Milestone |
|---------------|------------|------------------------|-----------------------------|-----------------------|-------------------|
| 2023-24 | Planned | Leicester City Council | Governance | Procurement Dashboard | Defer to 2024-25 |

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

Document is Restricted

