Governance and Audit Committee

SOUTH KESTEVEN DISTRICT COUNCIL

Thursday, 23 July 2026 at 2.00 pm
Council Chamber - Council Offices, St. Peter's Hill, Grantham. NG31 6PZ

Committee Members: Councillor Paul Wood (Chairman)
Councillor Vanessa Smith (Vice-Chairman)

Councillor Phil Dilks, Councillor Tim Harrison, Councillor Rhea Rayside, Councillor Peter Stephens, Councillor Paul Stokes, Councillor Mark Whittington, Councillor Sue Woolley and Alan Bowling

Agenda

This meeting can be watched as a live stream, or at a later date, via the SKDC Public-I Channel

1. **Apologies for absence**

2. **Disclosure of interests**
Members are asked to disclose any interests in matters for consideration at the meeting.

3. **Minutes of the meeting held on 25 June 2026** (Pages 3 - 23)
To consider approving both the public and private minutes as an accurate record.

4. **General Fund Provisional Outturn Report 2025/26** (Pages 25 - 41)
To provide details of the General Fund provisional outturn position for the Financial Year 2025/26. The report covers the following areas Revenue Budget, Capital Programme and Reserves Overview

5. **Housing Revenue Account Provisional Outturn Report 2025/26** (Pages 43 - 52)
This report provides details of the Housing Revenue Account (HRA) outturn position for the financial year 2025/26. The report covers the Revenue Budget, Capital Programmes and Reserves overview

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www.southkesteven.gov.uk

6. **Treasury Management Annual Report 2025/26** (Pages 53 - 66)
This report provides Governance and Audit Committee with the details of the Council's treasury management activity for the financial year 2025-2026

7. **Treasury Management Report Quarter 1 2026/27** (Pages 67 - 74)
Regulations issued under the Local Government Act 2003 require the Council to produce regular reports on treasury and debt management operations. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code).

8. **Strategic Risk Register** (Pages 75 - 97)
To provide an update following a review of the Council's Strategic Risks and Strategic Risk Register.

9. **Risk Management Annual Report 2025/26** (Pages 99 - 103)
In accordance with the Governance and Audit Committee's terms of reference, one of the key areas for the Committee is to monitor and review the risk management arrangements in place including the annual report for risk management activity for 2025/26.

10. **Work Programme 2026 - 2027** (Pages 105 - 109)
To consider the Committee's Work Programme for 2026 – 2027.

11. **Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

Meeting of the Governance and Audit Committee

SOUTH KESTEVEN DISTRICT COUNCIL

Thursday, 25 June 2026, 2.00 pm

Committee Members present

Councillor Paul Wood (Chairman)
Councillor Vanessa Smith (Vice-Chairman)
Councillor Tim Harrison
Councillor Rhea Rayside
Councillor Paul Stokes
Councillor Mark Whittington
Councillor Sue Woolley
Alan Bowling

Cabinet Members present

Councillor Ashley Baxter
Councillor Philip Knowles
Councillor Bridget Ley

Other Members present

Councillor Harrish Bisnauthsing

Officers

Richard Wyles, Deputy Chief Executive and Section 151 Officer
Graham Kitchen, Director of Law and Governance (Monitoring Officer)
David Scott, Assistant Director of Finance and Deputy Section 151 Officer
Charles James, Policy Officer
James Welbourn, Democratic Services Manager
Tracey Elliott, Governance and Risk Officer
Joshua Mann, Democratic Services Officer
Janine Combrinck, Internal Auditor
John Blewett, External Auditor

1. Apologies for absence

An apology for absence was received from Councillor Peter Stephens.

2. Disclosure of interests

No interests were disclosed.

3. Minutes of the meeting held on 18 March 2026

The minutes of the meeting held on 18 March 2026 were proposed, seconded and AGREED as an accurate record.

4. External Audit Plan

The External Audit Plan was introduced by the External Auditor.

The External Auditor outlined the following identified audit risks and co-ordinated planned responses:

- Valuation of land and buildings – rolling programme.
- Valuation of land and buildings – council dwellings only
- Valuation of investment property
- Management override of controls
- Valuation of post-retirement benefit obligations
- General ledger migration.

The External Audit also gave an overview of the Value for Money Statement and outlined that a significant governance risk had been identified regarding the failure to publish the Council's unaudited statement of accounts prior to the statutory deadline.

During discussions, the following comments were made:

- It was confirmed that SKDC had an obligation to disclose its share of asset and liability regarding employee pensions.
- Reassurance was given that Internal Audit and External Audit were co-ordinating regarding the ledger migration. External Audit also confirmed that transaction codes were checked during the ledger migration process.
- External Audit confirmed that the Audit Plan Report was kept as a draft to allow any new risks to be updated.

The External Audit Plan was noted by the committee.

5. Internal Audit Progress Report

The Internal Audit Progress Report was introduced by the Internal Auditor.

The Internal Auditor concluded the delivery of the 2025/26 Internal Audit Plan by presenting the stock management audit to committee and noted that work had commenced for 2026/27, the first audit of which would be accounts receivable.

Prior to the presentation of the stock management audit, it was proposed, seconded, and AGREED to exclude the press and public under Section 100 (A) 4 of the Local Government Act 1972, during consideration of the item on the grounds that it is likely that, if they were present, there could be disclosed to them exempt information as defined in paragraph 3 of Part 1 of Schedule 12A of the Act.

RECORDED VOTE - Councillors Tim Harrison and Mark Whittington voted against proposal.

Councillor Harrish Bisnauthsing left the Chamber and did not return.

The Internal Audit Progress Report was noted by the committee.

6. Internal Audit Follow Up Report

The public session resumed at 14.58.

The Internal Audit Follow Up Report was introduced by the Internal Auditor.

The Internal Auditor outlined that all recommendations had been completed other than the following two which were both in progress and categorised as medium priority:

Performance Management -	The Council were working on a Performance Management Framework to formalise the KPI reporting process as recommended in the previous audit. Discussions were ongoing with Service Leads on refreshing several KPI indicators and targets
Building Control -	In addition to other measures, the Council were working on a Power BI dashboard which would provide live data including application stats, inspection booking reliability and completion certificate request response rate. This was still in its infancy (for building control) and was reliant on other Council service areas to complete the data transition.

The Internal Auditor confirmed that they were content with the progress made against the Audit Plan.

The Internal Audit Follow Up report was noted by the committee.

7. Internal Audit Annual Report 2025/26

The Internal Audit Annual Report 2025/26 was introduced by the Internal Auditor.

The report outlined that the Internal Auditor categorised the adequacy and effectiveness of the Council’s risk management, control and governance processes as being generally satisfactory with improvements required in some areas.

In coming to this decision, the Internal Auditor took the following into account:

- The assessment of the design and operation of the underpinning risk management framework and supporting processes, including whether risk appetite had been established and embedded within the activities, limits and reporting of the organisation.
- The range of individual opinions arising from risk-based audit assignments that had been reported throughout the year; including the relative materiality of these areas.
- Management's acceptance of the audit recommendations.
- Management's progress in respect of addressing control weaknesses and implementing recommendations.
- Reliance placed upon other assurance providers which included external auditors and benchmarking data provided through the internal audit portfolio of local government organisations which showed that the Council performed in line with other authorities on a range of metrics.

During discussions, the following comments were made:

- The Internal Auditor confirmed that an element of management oversight and KPIs were considered within every audit. A dedicated performance management audit was undertaken in Autumn 2025, considering the operational aspect of the Council's KPIs.
- The Chairman confirmed their intention to arrange a catch-up meeting with the Internal Auditors.

The Internal Audit Annual Report 2025/26 was noted by the committee.

8. Stock Management Policy

The Stock Management Policy was introduced by the Cabinet Member for Corporate Governance and Licensing.

A recent stocks audit undertaken highlighted an absence of formal procedures for the controlling of various areas of stock. Therefore, to strengthen the formal arrangements, an overarching Stock Management Policy was developed. The formation of this Policy was to:

- Ensure stock is available to support service delivery (waste services, grounds maintenance, housing repairs and ICT equipment).
- Maintain strong financial and audit controls over all stock items.
- Reduce waste, loss, theft, and unnecessary disposal.
- Support compliance with the Council's Contract Procedure Rules and Financial Regulations.
- Provide clear responsibilities and procedures for staff handling stock.
- Ensure accurate, timely stock records for operational and financial reporting.

The Policy was to act as an overarching guide, but services were required to develop specific stock procedures that are specific to the stocks they held. These provided operational details of how stock was held, the stock access controls, reconciliation procedures and the movement of stock received and being booked out.

During discussions, the following comments were made:

- It was confirmed that the purpose of the policy was to codify the overarching principles for stock management control. Operational level procedures could then be developed based on these principles.

Following discussions, it was proposed, seconded, and AGREED to recommend the Stock Management Policy to Cabinet for approval.

9. Draft Annual Governance Statement 2025/26

The Draft Annual Governance Statement 2025/26 was introduced by the Cabinet Member for Corporate Governance and Licensing.

The Accounts and Audit Regulations 2015 Regulation 6(1)(a) required an authority to conduct a review of the effectiveness of the system of internal control and prepare a statement on the review with any published Statement of Accounts – this is known as the Annual Governance Statement.

The Draft Annual Governance Statement 2025/26 consisted of:

- Foreword from the Leader of the Council and the Chief Executive
- Key elements of the Council's Governance Framework 2025/256
- How the Council has complied with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework
- Governance Framework for 2025/26
- Review of Effectiveness
- Assurance Statement 2025/26 review
- Follow up on 2025/26 key areas of focus
- Governance issues key areas of focus for 2026/27

The 'Governance key area of focus for 2026/27' was the delivery of:

- Substantial review of the Constitution, including provisions relating to change in planning laws
- Review of the Councillor Code of Conduct and surrounding processes and procedures
- Review of the Council's procedures relating to Freedom of Information and Subject Access Requests

- Local Government Reorganisation delivery team to be established. Decision on LGR structure expected in July 2026
- Lincolnshire Chief Executives and Leaders to develop a constituted structure for a new Joint Committee for LGR
- Undertaking governance work associated with LGR, including changes to SKDC's governance practices and contributing to the governance arrangements of any successor authority
- Preparation for elections to take place in May 2027 (District or new Shadow Authority)
- Implement new structure for the Council's legal team including recruitment of a new Democratic Services Manager
- Housing Regulator judgment expected by July 2026. Improvement Plan to be developed based on findings
- Housing Revenue Account financial sustainability and 30-year business plan review.

During discussions, the following comments were made:

- The Internal Auditors confirmed that they did not see any issues with the document as long as there were no contradictions within it.

The Draft Annual Governance Statement 2025/26 was noted by the committee.

10. Reporting Fraud Whistleblowing Annual Report 2025/26

The Reporting Fraud Whistleblowing Annual Report 2025/26 was introduced by the Cabinet Member for Corporate Governance and Licensing.

To develop and promote greater awareness, and in line with best practice, a review of the Council's fraud detection and whistleblowing disclosures was undertaken, culminating in the Annual Report for 2025/26.

Within the definition of whistleblowing, no issues were raised during 2025/26.

During 2025/26, the Council received 46 external notifications of fraud disclosure that required investigation. This was an increase of 22 on previous years where there were 24 in 2024/25, 14 in 2023/24, and 20 in 2022/23.

Of these 46 notifications, 18 related to Housing, 18 related to Benefits and/or Single Person Discount, and 10 related to 'other', namely:

- Three planning allegations (all unfounded)
- Two anti-social behaviour allegations (both unfounded)
- Business rates (ongoing)
- Illegal HMO (unfounded)

- Register to Vote error (founded – error corrected)
- Vehicles with no MOT/tax (founded – vehicles removed)
- Bins being missed regularly and overtime claims (unfounded – full investigation undertaken).

During discussions, the following comments were made:

- It was confirmed that the instance of a vehicle being found with no MOT/tax and being removed was due to the matter being raised through the reporting channel.
- South Kesteven reviewed the Single-Rate Claim more frequently than neighbouring authorities given the number of false claims alleged.
- Given that there were no instances of whistleblowing in 2025/26, reassurance was sought and given that measures were in place to allow Council staff the confidence to report issues should they need to. The Section 151 Officer acknowledged that the Council had previously ensured strong publicity about any instance of whistleblowing.

15.26 – Councillor Sue Woolley left the Chamber and did not return.

- Officers did not believe that they had received any vexatious reports but ensured that they would be subject to the same proper process.

The Reporting Fraud Whistleblowing Annual Report 2025/26 was noted by the committee.

11. Whistleblowing Policy 2026-28

The Whistleblowing Policy 2026-28 was introduced by the Cabinet Member for Corporate Governance and Licensing.

The Whistleblowing Policy was updated to include the amendments to Employment Law in the Employment Rights Act 2025, which took effect on 6 April 2026, and updated the explicit classification of sexual harassment as a protected, “qualifying disclosure” under the whistleblowing legislation.

The Committee monitored and reviewed the whistleblowing arrangements in place, and the activities that were being undertaken to mitigate those risks, by receiving an annual report on whistleblowing and reviewing the Whistleblowing Policy every two years.

It was proposed, seconded, and AGREED to approve the revised Whistleblowing Policy 2026-28.

12. Corporate Plan 2024-27: Key Performance Indicators Report - End-Year (Q4) 2025/26

The Corporate Plan 2024-27: Key Performance Indicators Report - End-Year (Q4) 2025/26 was introduced by the Cabinet Member for Corporate Governance and Licensing.

This report was the fourth of the reporting cycle and covers the period January to March 2026 (Quarter 4 2025/26).

Appendix A presented the overall performance against the three actions being presented in this session. Commentary by the responsible officer was provided for each action. Performance was summarised using a RAG system described below.

Zero actions were rated Green. These were actions which were on, or above target as planned.

Three actions were rated Amber, these were those off target by less than 10% or where milestone achievement was delayed but with resolution in place to be achieved within a reasonable timeframe.

Zero actions were rated as Red. These were actions that were significantly below target.

Zero actions were rated as N/A. These were actions for which work had not yet meaningfully commenced e.g. being sequenced on the completion of other items, or where data was unavailable.

During discussions, the following comments were made:

- It was queried how SKDC compared to neighbouring authorities regarding Freedom of Information (FOI) requests. The officer confirmed that they did not have benchmarking figures to hand but FOIs were difficult to compare given the variety of their complex and nuanced nature. The Monitoring Officer confirmed that officers were currently reviewing the FOI requests were handled. It was noted that it was difficult to judge the resource level needed to handle FOI requests given the fluctuations in demand.
- It was confirmed that there was a provision within the legislation for FOI requests that were expected to take significant time could be declined or chargeable to those requesting.

The Corporate Plan 2024-27: Key Performance Indicators Report - End-Year (Q4) 2025/26 was noted by the committee.

13. Start time of Full Council meetings

The Start Time of Full Council Meetings report was introduced by the Cabinet Member for Corporate Governance and Licensing.

A request was received from the Conservative Group to change the start time of meetings of Full Council from 2pm to 1pm in the afternoon.

A survey was sent to all Members of the Council and was open for two weeks to seek their views on whether the start time for Full Council should move from 2pm to 1pm. 29 Members out of the Council's 56 completed the survey, equating to a 51.8% response rate.

Of those who took part in the survey, 48% of respondents (14 members) suggested a change in the start time to 1pm for meetings of Full Council. 38% (11 members) thought that the existing start time should not change, whereas 14% (4 members) were not sure or did not know.

During discussions, the following comments were made:

- A Member had received feedback from their group that those working full-time wouldn't be able to attend earlier meetings.
- It was noted that the results of an Local Government Association (LGA) survey showed that all day-time Full Council meetings were either held at 10am or 2pm.
- It was suggested that no clear mandate had arisen from the survey and that all Members knew the start time of meetings when they stood for election.

Following discussions, it was proposed, seconded and AGREED to recommend that the Chief Executive keeps the status quo and Full Council meeting continue to start at 2PM.

14. Proposed Review of the Constitution (Verbal Briefing)

The Proposed Review of the Constitution (Verbal Briefing) was presented by the Monitoring Officer.

The Monitoring Officer outlined his intention to seek members views on the following aspects of the Constitution:

- Committee Terms of Reference
- Training provisions
- Delegations (Cabinet)
- Procedure Rules (Full Council, Cabinet, and Access to Information)
- Key Decision threshold
- Member Code of Guidance (guidance and procedures)
- Removal of the Officer Code of Conduct.

The Monitoring Officer also anticipated incorporating forthcoming changes in Planning legislation.

Regarding the timeline, it was anticipated that the Governance & Audit Committee would meet and review the changes prior to the September meeting of Full Council. The timeline for incorporating the changes to the Planning legislation would be dictated externally.

The commitment was made to consider the constitutional provisions of potential local government reorganisation partners to ensure alignment prior to the transition to a shadow authority.

The suggestion was made to form an informal working group to consider the matter between committee dates with a view to reporting back to the September Governance & Audit Committee.

Following discussions, it was proposed, seconded, and AGREED that an informal working group be formed composing of up to five members of the Governance & Audit Committee, the Leader of the Council, and any other member that the Chairman believed to be prudent to extend the invitation to. The remit being to review the parts of the constitution worthy of review as highlighted to them by the Monitoring Officer, and then to report back to the Governance & Audit Committee no later than the September meeting.

15. Work Programme 2026 - 2027

As outlined during the Internal Audit Progress Report, it was AGREED to provide a progress update regarding stock management controls to the September meeting.

The Chairman outlined that a letter had been received from Barrowby Parish Council which was being reviewed but he did not want to comment further until appropriate advice had been received. The Chairman agreed to keep the committee updated. Councillor Mark Whittington declared an interest as a member of Barrowby Parish Council but noted that he had not been involved in the matter.

16. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.

There was none.

The meeting concluded at 16.02.

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

Document is Restricted

SOUTH KESTEVEN DISTRICT COUNCIL

Governance and Audit Committee

Thursday, 23 July 2026

Report of Councillor Bridget Ley, Cabinet Member for Finance

General Fund Provisional Outturn Report 2025/26

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

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Purpose of Report

To provide details of the General Fund provisional outturn position for the Financial Year 2025/26. The report covers the following areas Revenue Budget, Capital Programme and Reserves Overview.

Recommendations

Governance and Audit Committee is asked to:

1. **Review and approve the provisional General Fund Revenue and Capital Outturn position including the supporting appendices for the financial year 2025/26.**

2. **Note the revenue and capital budget carry forwards in Appendix B and C.**

3. **Review and approve the transfer of the 2025/26 outturn surplus balance to service specific reserves as set out in table 3.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	All
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance

1.1 The financial implications are included within the report.

Completed by: David Scott, Assistant Director of Finance and Deputy s151 Officer.

Legal and Governance

1.2 The terms of reference of the Governance and Audit Committee require the Committee to consider for approval the annual revenue and capital outturn report, including the movement of reserves.

1.3 A delegation to the Deputy Chief Executive (in consultation with the Cabinet Member for Finance, HR and Economic Development) to agree budget carry forwards for the General Fund and Housing Revenue Account for 2025/2026 was granted by Cabinet in May 2026.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

2.1 This report provides Governance and Audit Committee with details of the Council's provisional outturn position for the Financial Year (FY) 2025/26. Throughout the year, Cabinet and the Finance and Economic Overview and Scrutiny Committee (FEOSC) have been updated via regular and comprehensive budget monitoring reports.

2.2 A balanced budget was set for FY2025/26 which provided a solid foundation for the delivery of Council services over the year.

2.3 During the financial year, the Council has managed budgets prudently and has been able to redirect funding where necessary to support the objectives set out in the Corporate Plan. A combination of savings and the generation of additional income have enabled the Council to boost its financial resilience. This is particularly important in the context of the recent Local Government funding review including a reset of the Business Rate system. This reset is not favourable towards district councils, and the medium-term financial outlook remains difficult. The Council must also prepare for the financial structural changes of Local

Government Reorganisation (LGR) (although at the time of compiling this report no announcement has been made). Therefore, it will be necessary to present a future financial proposal as the Council will be required to provide funding in order to transition towards the new arrangements.

3. General Fund Revenue Budget 2025/26

3.1 The net cost budget (including investments) set by Council on 27 February 2025 was £23.227m. Budgets have been amended for any additional approvals in year to increase the budget including carry forwards from the previous year. This has resulted in an increase to the 2025/26 budget to £25.607m. For the purposes of the outturn variance analysis, the budget carry forwards and accounting adjustments such as depreciation have been removed which reduces the budget for comparative purposes to £16.968m as shown in Table 1 below.

3.2 The forecast outturn position has been presented to FEOSC throughout the financial year. The Quarter 3 (Q3) report was presented on 24 February 2026. This report is the final report for FY2025/26 and represents a summary of the outturn compared to the approved budgets.

Table 1 – General Fund Revenue Outturn Positions (excluding accounting adjustments within Net cost of Service)

Description	2025/26 Current Budget £'000	2025/26 Current Budget (less proposed Budget C/F and accounting adjustments) (a) £'000	2025/26 Provisional Outturn (b) £'000	Variance to Current Budget (b-a) £'000	2025/26 Outturn Variance %
Corporate, Governance & Public Protection	4,431	4,329	4,387	58	1.3
Finance, Property & Waste Services	12,583	8,127	7,906	(221)	(2.7)
Growth & Culture	9,273	5,204	4,206	(998)	(19.2)
Housing & Projects	2,033	2,023	1,961	(62)	(3.1)
HRA Recharge	(2,960)	(2,960)	(2,960)	0	0
Drainage Rates	1,026	1,026	1,014	(12)	(1.2)
Net Cost of Service	**26,388**	**17,749**	**16,514**	**(1,235)**	**(6.3)**
Investment Income	(781)	(781)	(1,304)	(523)	67.0
(Surplus) / Deficit	**25,607**	**16,968**	**15,210**	**(1,758)**	**(10.4)**

3.3 A summary of the key variances are provided in table 2 below:

Table 2 – General Fund Revenue Outturn significant variances

CROSS DIRECTORATE	**£'000**
Fuel A reduction in inflationary price increases prior to March 2026 has resulted in an underspend of (£266k). The budget was set using a price of 141p but actual prices have been as much as 28% below this for the majority of last financial year and remained relatively stable. It is proposed that this surplus is allocated to the waste reserve in order to provide resilience for future volatility in fuel prices	**(266)**
Utilities The Council continues to financially benefit from energy prices secured via the ESPO utility procurement framework which are currently being purchased at a unit rate lower than the budgeted rate.	**(482)**
Salaries A pay award in line with the national award for 2025/26 of 3.2% was implemented during the year. This award was higher than the 2% budgeted but it has been possible to contain the increase during the year and achieve the salary vacancy factor of 3%.	**58**
Investment Income Higher average interest has been achieved on investments which averaged 4.30% return compared to 3.25% budget as well as higher investment balances for the General Fund compared to budgeted levels.	**(523)**

3.4 Appendix A provides details of the significant variances which impacts all Directorates along with supporting information explaining the main variances per service area.

3.5 As part of the outturn process a number of carry forwards have been taken into 2026/27 to support ongoing projects and support potential budget pressures that have been identified. These total £929k split across corporate underspends (£231k) and Grants received in year (£698k), with Appendix B providing a breakdown of these for information.

3.6 As work continues on preparation of the statement of accounts and a decision regarding the future local government arrangements across Greater Lincolnshire expected, the appropriation to non-service specific reserves will be considered at the Governance and Audit meeting on the 29 September 2026. However, for service specific reserves the following allocations are proposed in table 3 below, which would reduce the provisional underspend to circa **£0.699m** for further consideration and allocation:

Table 3 – Proposed Reserve Allocations 2025/26

Reserve	Amount	Rationale
Property maintenance Reserve	£280k	Funded from property management underspend to support ongoing programme of asset maintenance
Leisure Investment	£132k	Surplus generated from LeisureSK Ltd is used for ongoing leisure investment
ICT Investment	£200k	Replenishment of reserve following in year and support ongoing investment in ICT projects
Climate Change	£447k	Top up of reserve to £500k to support future climate change projects
Total	**£1.059m**	

4. General Fund Capital Programme 2025/26

4.1 The budget set by Council on 27 February 2025 for the 2025/26 General Fund Capital Programme was £15.179m. Budgets have been amended for any additional approvals in year to increase the budget including carry forwards from the previous year resulting in an increase to the 2025/26 budget to £19.807m. For the purposes of the outturn variance analysis, the proposed budget carry forwards have been removed from this which reduces the budget for comparative purposes to £17.394m.

4.2 Table 4 below provides a summary provisional outturn of £16.565m resulting in a £0.829m underspend on the General Fund Capital Programme for 2025/26.

Table 4 – General Fund Capital Outturn Position

Directorate	2025/26 Current Budget £'000	2025/26 Budget (less C/F approved by Council February 2025 and proposed Budget C/F) £'000	2025/26 Provisional Outturn £'000	2025/26 Outturn Variance £'000
Corporate, Governance & Public Protection	1,455	1,403	1,513	110
Finance, Property & Waste Services	12,217	11,037	10,863	(174)
Growth & Culture	2,493	2,130	1,416	(714)
Housing & Property	2.922	2,824	2,773	(51)

Total Expenditure	**19,087**	**17,394**	**16,565**	**(829)**
Financed By:				
Capital Grants & Contributions	7,168	7,141	6,711	(430)
Reserves	3,317	2,852	2,880	28
Useable Capital Receipts	2,414	1,225	865	(360)
Borrowing	6,188	6,176	6,109	(67)
Total Financing	**19,087**	**17,394**	**16,565**	**(829)**

4.3 A summary of the significant variances is provided in Table 5 below.

Table 5 – General Fund Capital Outturn significant variances

	£'000
Corporate, Governance & Public Protection **Disabled Facilities Grant (DFG)** – Additional works have been undertaken over the course of the year with 161 adaptations completed. The additional costs will be funded from previous years DFG underspends currently held in reserves.	**96**
Finance, Property & Waste Services **Food Waste** – This budget was set prior to the round review being undertaken and confirmation of the number of waste vehicles being required to deliver the service. This combination led to an underspend as fewer vehicles were required that anticipated.	**(124)**

4.4 The Government share of the Future High Streets Fund has been fully allocated. The funding was used to financially support specific projects of works at the Guildhall Arts Centre and the Wharf Road car park and this use of the funding has resulted in Council reserves not been required.

4.5 Appendix C provides a summary of the carry forwards totalling £0.631m alongside some adjustments to the budget carry forwards (£339k) that were approved by Council on 26th February 2026.

5. Reserves

5.1 An integral element of the closedown procedure is to undertake a review of the usage and levels of the Council's reserves and balances. Whilst the final balances and allocations are being worked through as part of the Statement of Accounts process, table 6 below provides a provisional summary position.

Table 6 – General Fund Reserves Outturn Position

Description	Actual Balance as at 31 March 2025 £'000	Provisional Movement £'000	Provisional Balance as at 31 March 2026 £'000
Revenue Reserve			
Discretionary Reserves	15,511	(2,713)	12,798
Governance Reserves	5,053	243	5,296
Grants	3,527	(1,164)	2,363
Working Balance *	2,535	0	2,535
Total Revenue Reserves	**26,626**	**(3,634)**	**22,992**
Capital Reserves			
Capital Reserves	4,589	(865)	3,724
Total Reserves	**31,215**	**(4,499)**	**26,716**

*Provisional outturn pending completion of year end accounting entries

5.2 As highlighted in section 3.6 in the report there are a number of proposals for allocating part of the underspend into specific reserves which are not referred to at table 6. Once allocated this will increase the General Fund reserve balance to £28.474m.

5.3 Discretionary Reserves – Some of the key movements included are:

- **£5.564m** net decrease on the Local Priorities Reserve following a £2.0m transfer to the Property Maintenance Reserve, £796k in-year funding for property maintenance, depot fit out of £354k and £2.136m to provide a contribution for capital financing.
- **£1.919m** net increase in Property Maintenance Reserve following the £2.0m allocation from the Local Priorities Reserve net of in-year expenditure.
- **£255k** use of ICT reserve to fund ICT projects.
- **£1.290m** added into the new Waste Services Reserve from pEPR grant funding received in year.

5.4 Governance reserves increase is mainly due to a number of revenue government grants received in year and carried forward for future use once spending plans have been agreed.

5.5 The main Grants reserve has reduced in year following the use of £1.127m Food Waste grant funding to support the rollout of the new collection requirements.

5.6 £0.865m has been used from Useable Capital Receipts to fund the General Fund Capital Programme

6. Reasons for the Recommendations

6.1 It is important that members are aware of the financial position of the General Fund to ensure they can make informed decisions that are affordable and financially sustainable for the Council. Effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities.

6.2 This report provides an overview of the provisional General Fund outturn financial position for 2025/26.

7. Other Options Considered

7.1 The terms of reference of the Governance and Audit Committee require the Committee to approve the annual revenue and capital outturn report, including the movement of reserves. Therefore, the option of not producing a provisional outturn report was discounted.

8. Consultation

8.1 The Outturn report has also been presented to FEOSC on 21st July 2025 in order to provide opportunity for feedback to Cabinet.

9. Appendices

9.1 Appendix A – 2025/26 General Fund Outturn Significant Variance Analysis

9.2 Appendix B – 2025/26 Revenue Carry Forwards

9.3 Appendix C – 2025/26 Capital Carry Forwards

APPENDIX A - 2025/26 General Fund Revenue Significant Variance Analysis

Corporate, Governance & Public Protection					
Service Area	**2025/26 Current Budget** **£'000**	**2025/26 Current Budget (less proposed Budget C/F and accounting adjustments** **£'000**	**2025/26 Provisional Outturn** **£'000**	**Variance to Current Budget** **£'000**	**2025/26 Outturn Variance** **%**
Corporate Management	723	722	775	3	0.4
Legal & Democratic	1,719	1,633	1,681	48	2.9
Human Resources & Organisational Development	483	495	494	(1)	(0.2)
Public Protection	1,506	1,429	1,437	8	0.6
Total	**4,431**	**4,329**	**4,387**	**58**	**1.3**

Explanation of Significant Variances	**£'000**
Legal & Democratic Legal fees £70k – additional costs required for legal support across services (£50k) and costs associated with member complaints and code of conduct cases (£20k).	**70**

Service Area	2025/26 Current Budget £	2025/26 Current Budget (less proposed Budget C/F and accounting adjustments £	2025/26 Provisional Outturn £	Variance to Current Budget £	2025/26 Outturn Variance %
Finance	1,828	1,789	1,925	136	7.6
ICT Services	1,905	1,702	1,914	212	12.5
Finance Management	269	269	299	30	11.2
Revenues, Benefits, Customer & Community Services	972	837	1,102	175	20.9
Waste & Markets	4,449	1,237	1,099	(138)	(11.2)
Property Services	3,160	2,293	1,657	(636)	(27.7)
Total	**12,583**	**8,127**	**7,906**	**(100)**	**2.7**

Explanation of Significant Variances	£'000
Finance • £99k on staffing costs relating to agency support required to cover a number of in-year vacancies, delivery of statement of accounts and implementation of the new finance system • £26k software accountancy for upgrades to the income receipting and procurement system.	**136**
ICT Services There have been some budgetary pressures incurred during 2025/26 as a result of: higher than anticipated increases in annual licences and licence cost due to the deferral of the go live for the new finance system. However, the unexpected costs will be met from the ICT reserve.	**212**
Revenues, Benefits, Customer & Community Services The Local Council Tax Support Administration Grant is no longer received as a specific grant. This is now incorporated into the Revenue Support Grant.	**195**
Waste & Markets • Additional income of £124k has been received for green waste income due to higher than budgeted take-up of the scheme. Over 31,000 households participated in the green waste service during 2025/26. Any revenue surplus from this service will be allocated to reserves and utilised to contribute towards vehicle and the purchasing of green bins. • Bulky waste income shortfall of £73k due to a delay in the additional vehicle being delivered which was required to increase the bulky waste service	**(129)**

capacity. The income reduction is offset by vacancy savings as the required driver and loader are not yet recruited. • Additional spend of £30k on repairs and parts during the course of the year for vehicle maintenance. • Due to turnover in staff in year additional staffing costs of £30k were required to maintain service delivery. • Fuel savings of £168k were achieved in year due to the lower purchase price per litre than budgeted for. • Trade waste customer retention rates are at 95% although there has been a loss of two major customers cancelling the service during the year resulting in an income shortfall of £30k overall	
Property Services • Car Parking Income – overall income is up by £58k, which is mainly due to the extension to the Cattlemarket car park Stamford, with the increased capacity by 146 spaces (a 53% capacity increase). • Additional £100k income achieved from commercial investment portfolio due to an underestimation of the budget levels for 2025/26 against an overall portfolio budget of approximately £900k. • There has also been an underspend of £280k from the property maintenance budget regarding a previous year carry forward for works not required in year. It is proposed this underspend will be moved into the Property Maintenance Reserve to support ongoing programme of asset maintenance • Utilities savings of £325k as a result of the financial benefits secured from the energy prices via the ESPO utility framework • Overspend of £35k in year related to Car Park administration costs linked to the installation of new car park machines in year. • Additional costs of £80k has been incurred on external survey works across the asset portfolio including some back dated historic invoices	**(648)**

Growth & Culture					
Service Area	**2025/26 Current Budget** **£**	**2025/26 Current Budget (less proposed Budget C/F and accounting adjustments** **£**	**2025/26 Provisional Outturn** **£**	**Variance to Current Budget** **£**	**2025/26 Outturn Variance** **%**
Communications	291	291	272	(19)	(6.5)
Arts & Culture	1,751	812	699	(113)	(13.9)
Culture & Leisure Management	172	172	186	14	8.1
Leisure	2,249	138	11	(127)	(92)
Parks & Open Spaces	607	501	560	59	11.8
Street Scene	2,055	1,879	1,710	(169)	(9.0)
Growth Management	371	298	255	(43)	(14.4)
Economic Development	574	495	453	(42)	(8.5)
Building Control	106	105	97	(8)	(7.6)
Development & Policy	723	159	(347)	(506)	(318.2)
Community Engagement	376	354	310	(44)	(12.4)
Total	**9,275**	**5,204**	**4,206**	**(998)**	**(19.2)**

Explanation of Significant Variances	£'000
Arts & Culture • Increases in room hire, lettings and theatre hire along with increases in admissions income across the arts centres. This relates in the main to the Guildhall Arts Centre (£50k) and Stamford Arts Centre (£38k) • In addition to this there has also be £43k savings on utility costs	**(131)**
Leisure Under the new agency model a surplus has been achieved in the current financial year of £132k. it is proposed to allocate the surplus to the leisure investment reserve.	**(132)**
Street Scene • Fuel savings of £70k were achieved in year due to the lower purchase price per litre than budgeted for. • Savings of £50k were achieved in year due to vacant posts and delays in recruitment and temporary staffing arrangements.	**(120)**

Development & Policy • Planning Fee Income has increased in year to due a higher level of applications received in year than anticipated, including a number of major of planning applications of which 7 alone were received in Q4 alone. • Alongside this, the national increase in fee prices which wasn't known at budget setting time, resulting in income above budget of £486k	**(486k)**

Housing & Projects					
Service Area	**2025/26 Current Budget** **£**	**2025/26 Current Budget (less proposed Budget C/F and accounting adjustments** **£**	**2025/26 Provisional Outturn** **£**	**Variance to Current Budget** **£**	**2025/26 Outturn Variance** **%**
Health & Safety	129	129	81	(48)	(37.2)
Housing Services	855	855	872	17	2.0
Centralised & Business Support	536	536	566	30	5.6
Corporate Projects & Performance and climate change	513	503	442	(61)	(12.1)
Total	**2,033**	**2,023**	**1,961**	**(62)**	**(3.1)**

Explanation of Significant Variances	**£'000**
Corporate Projects & Performance and climate change • Underspend on salaries due to vacant post in year £40k • Additional income received from electrical charging points £28k due to under budgeting which has been corrected for 2026/27.	**(68)**

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APPENDIX B

General Fund Revenue Budget Carry Forwards from 2025/26

Project	Budget Carry Forward £'000	Funding	Commentary
Corporate underspends			
SK Lottery	12	Income contributions	SK Lottery surplus transferred to Community Fund Budget
Locum cover for Democratic Services Manager	24	Underspend in year	Funding for committed expenditure in 26/27
Luminarium – Future High Street Fund	73	Regeneration reserve	Project to be carried out in 2026/27
Public Protection staffing costs	15	Underspend in year	Underspend on vacant post to cover one-off staffing costs in year
Grantham Canal	62	Local Priorities Reserve	Funding for agreed expenditure in 2026/27 as part of the preparatory works before the capital programme is undertaken
Tree maintenance	15	Waste & Recycling Initiatives – underspend against previously agreed budget	Funding for ongoing committed expenditure in 2026/27
Food Waste	30	pEPR grant received in year	Temporary vehicle costs to ensure delivery of food caddies as part of the new food waste roll out requirements
Sub-total	**231**		
Grant Funding			
Funding of the Elections Act 2022 requirements	62	New burdens grants received in previous years underspend in year	Funding for ongoing expenditure. Individual voter registration
UKSPF	252	Grant received in year	Approved schemes payable in 2026/27
Cyber Security	200	Grant received in year	Funding for expenditure in 2026/27
Renters Rights Act	43	Grant received in year	Funding for committed expenditure on compliance role
Household Support Fund	131	Grant received in year	Enable support fund scheme to be delivered
Efficiency East Midlands Grant	10	Grant received in year	Grant received to fund specific items of expenditure in 2026/27 in conjunction with the Financial and Welfare advice team as support for those in need.
Sub-total	**698**		
TOTAL	**929**		

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APPENDIX C

General Fund Capital Budget Carry Forwards from 2025/26

Project	Budget Carry Forward £'000	Funding	Commentary
CCTV Infrastructure Improvements	52	Local Priorities Reserve	Completion of works committed in 2025/26
Bulky Waste vehicles	48	Useable capital Receipts	Delayed delivery of vehicles which are now arriving in 2026/27
Mechanical and Engineering programme	30	Useable capital Receipts	Completion of works committed in 2025/26
Guildhall Art Centre Roof	63	Property Maintenance	Completion of works in the early part of 2026/27 financial year.
Deepings 3G Pitch	200	Local Priorities Reserve / Leisure	Project is ongoing pending agreement to progress
Future High Street Fund	136	Property Maintenance	Continuation of the approved projects in Market Place
Coronation Orchards	4	Grant	Grant awards continuing into 2026/27
Decarbonisation Project	98	Property Maintenance	Completion of project for Pool Pumps
TOTAL	**631**		

The 2026/27 capital programme needs reducing for the following schemes

Project	Budget Carry Forward £'000	Funding	Commentary
Street Scene Vehicles	(215)	Useable capital Receipts	Vehicles delivered before the year end, therefore carry forward agreed at budget setting in Feb26 needs to be adjusted accordingly
Vehicle Replacement Programme	(124)	Local Priorities Reserve	Additional vehicle procured in 2025/26 from the 2026/27 programme at a lower price so 2026/27 can be reduced.
TOTAL	**(339)**		

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SOUTH KESTEVEN DISTRICT COUNCIL

Governance and Audit Committee

Thursday, 23 July 2026

Report of Councillor Bridget Ley, Cabinet Member for Finance

Housing Revenue Account Provisional Outturn Report 2025/26

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

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Purpose of Report

This report provides details of the Housing Revenue Account (HRA) outturn position for the financial year 2025/26. The report covers the Revenue Budget, Capital Programmes and Reserves overview.

Recommendations:

Governance and Audit Committee is asked to:

1. **Review and approve the provisional Housing Revenue Account Revenue and Capital Outturn position and the supporting appendices for the financial year 2025/26.**
2. **Note the revenue and capital budget carry forwards in sections 3.5 and 4.8 respectively.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	All
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance

1.1 The financial implications are included within the report.

Completed by: David Scott, Assistant Director of Finance and Deputy s151 Officer.

Legal and Governance

1.2 The terms of reference of the Governance and Audit Committee require the Committee to consider for approval the annual revenue and capital outturn report, including the movement of reserves.

1.3 A delegation to the Deputy Chief Executive (in consultation with the Cabinet Member for Finance, HR and Economic Development) to agree budget carry forwards for the General Fund and Housing Revenue Account for 2025/2026 was granted by Cabinet in May 2026.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

2.1 This report provides Governance and Audit Committee with detail of the Council's provisional outturn position for the financial year 2025/26. Throughout the year, Cabinet and the Finance and Economic Overview and Scrutiny Committee (FEOSC) have been provided with regular and comprehensive budget monitoring reports that has enabled members to be kept updated. The budget was set in the context of providing further investment in key service areas whilst being mindful of the need to maintain a sustainable 30-year financial business plan.

2.2 During the course of the financial year, the HRA budgets have continued to focus on:

- Meeting the housing needs of tenants
- Facilitating the delivery of new housing across a range of tenures
- Enabling those whose independence may be at risk to access housing (including their current home) that meets their needs
- Supporting investment in homes for affordable warmth for our tenants

- Meeting compliance requirements and ensuring resources are allocated appropriately.

2.3 Members will be aware the HRA has faced financial challenges during the year specifically the repairs and maintenance budgets which required an additional £2.7m revenue budget increase in-year.

2.4 The HRA has encountered and continues to face financial challenges caused by a combination of:
- Changes to legislation;
- Increasing landlord responsibilities;
- Improving a range of local performance targets including backlog repairs, repair times, and void times.

3. HRA Revenue Budget 2025/26

3.1 The budget set by Council on 27 February 2025 resulted in a surplus of £8.059m. This surplus is used to provide funding for the external loan and to enable reserve levels to be maintained that subsequently fund the capital programme and service improvements. For the purposes of the outturn variance analysis the budget carry forwards have been removed and the actual surplus for the year is £4.476m, resulting in a net overspend of £554k as part of the continued investment in addressing the backlog of repairs and ensuring statutory compliance.

3.2 Table 1 shows the HRA revenue outturn position for 2025/26 and shows the variance comparison between budget and provisional outturn. However, it should be noted that the repairs and maintenance line has seen a significant increase in the original budget set for 2025/26.

Table 1 – HRA Revenue Outturn Position 2025/26

Description	2025/26 Original Budget	2025/26 Current Budget	2025/26 Current Budget (less proposed budget c/f)	2025/26 Provisional Outturn	2025/26 Variance
	£'000	£'000	£'000	£'000	£'000
Expenditure					
Repairs and Maintenance	10,617	13,600	13,585	13,681	96
Supervision and Management	4,737	4,836	4,701	4,906	205
Depreciation and Impairment of Fixed Assets *	4,181	4,181	4,181	4,181	0
Debt Management Expenses	36	36	36	36	0
Provision for bad debts*	206	206	206	(155)	(361)
Support recharge to the General Fund	3,031	3,031	3,031	3,031	0
Total Expenditure	**22,808**	**25,890**	**25,740**	**25,680**	**(60)**

Income					
Dwelling Rents	(29,856)	(29,856)	(29,856)	(29,562)	294
Non-Dwelling Rents	(322)	(322)	(322)	(295)	27
Charges for Services and Facilities	(916)	(916)	(916)	(994)	(78)
Other Income	(18)	(18)	(18)	(38)	(20)
Total Income	**(31,112)**	**(31,112)**	**(31,112)**	**(30,889)**	**223**
Net Cost of HRA Services	**(8,304)**	**(5,222)**	**(5,372)**	**(5,209)**	**163**
Interest Payable and Similar Charges	2,043	2,140	2,140	2,140	0
Interest and Investment Income*	(1,798)	(1,798)	(1,798)	(1,414)	384
Accumulated Absences	0	0	0	7	7
HRA (Surplus)/Deficit	**(8,059)**	**(4,880)**	**(5,030)**	**(4,476)**	**554**

*Provisional outturn pending completion of year end accounting entries

3.3 Appendix A provides details of the significant variances which impact across the HRA with supporting information explaining the main variances across the Expenditure and Income headings that result in a net cost overspend of £163k.

3.4 There has also been some further movement below the net cost service in relation to reduced investment income returns of £384k due to the average balances across the HRA reserves being lower than anticipated with the draw on reserves as part of the outturn in 2024/25 then the additional funding drawn down in year.

3.5 A budget carry-forward of £150k is required for the continued use of the remaining House Building Support grant received during 2025/26. This funding has been earmarked for expenditure relating to feasibility work and surveys relating to our new build programme.

3.6 Overall, the HRA surplus has reduced by £554k from the current budgeted figure of £5.030m, resulting in a provisional outturn surplus of £4.476m. This reduction will result in reduced funding being available to support the working balance. The movement between the original and current budget reflects the additional draw down from reserves which outlined in table 5 below.

4. HRA Capital Programme 2025/26

4.1 The budget approved on 27 February 2025 for the 2025/26 HRA Capital programme was £31.771m. Budgets have been amended as projects have commenced and these changes increased the 2025/26 budget to £31.966m. For the purposes of the outturn variance analysis, the budget carry forwards have been removed from this which reduces the budget for comparative purposes to £21.229m as summarised in Table 2 below.

Table 2 – HRA Capital Outturn Position

Capital Scheme	2025/26 Current Budget £'000	2025/26 Budget (less C/F approved by Council February 2026 and less proposed Budget C/F) £'000	2025/26 Provisional Outturn £'000	2025/26 Outturn Variance £'000
Energy Efficiency Initiatives	4,734	4,734	5,311	577
ICT	0	0	117	117
Repair Vehicles	765	0	0	0
New Build Programme	15,134	6,262	6,262	0
Compliance Works	635	135	60	(75)
Physical Adaptations	448	448	482	34
Refurbishment & Improvement	10,250	9,650	8,752	(898)
Total Expenditure	**31,966**	**21,229**	**20,984**	**(245)**
Financed By:				
HRA Capital Receipts Reserve	14,134	5,262	5,274	12
Grants & Contributions	1,871	1,871	1,871	0
Major Repairs Reserve	14,961	13,096	12,957	(245)
S106	1,000	1,000	988	(12)
Total Financing	**31,966**	**21,229**	**20,984**	**(245)**

4.2 As it can be seen from the table above the overall capital programme for the HRA has resulted in a net underspend of £245k.

4.3 There have been a number of challenges especially within the Refurbishment and Improvement area which overlaps with the Repairs and Maintenance programmes within the revenue budget. Work has been ongoing within the service, closely support by finance to ensure spend has remained within the capital budget allocations, which has been achieved with an underspend of £898k.

4.4 Through the capital programme a total of 2,049 component replacements or upgrades to Council homes were completed in year against a target of 2,340 which has led to the underspend. A summary of the key workstreams completions is as follows:

Table 3 – Capital Component Analysis

Workstream	Planned Amount	Actual	Variance
Kitchens	282	235	(47)
Bathrooms	258	179	(79)
Boilers	323	286	(37)
Roofs	90	90	0

Windows and Doors	292	283	(9)
External Refurbishments	968	849	(119)
Decarbonisation Improvements	127	127	0
Total	**2,340**	**2,049**	**(291)**

4.5 In respect of the variance above, prior to any works being undertaken a check is made against each component planned works to ascertain if there is any useful life remaining. This has then resulted in works being delayed to a later date. The council has prioritised component renewals and capital expenditure where decent homes standards is not currently being met, components coming to the end of their useful life and renewals arising from reactive repairs and voids.

4.6 Works are undertaken to ensure that we meet regulatory requirements and contribute to improving tenant satisfaction in order to meet our objective of maintaining good quality homes in accordance with our asset management strategy.

4.7 As regards some of the other significant overspend variances there were two other main areas:

- Decarbonisation Works (Energy efficiency) £655k – there was an opportunity to bid for additional funding in year as part of the ongoing decarbonisation works at an additional cost of £329k (this was partly off-set by grant funding of £166k). The remaining element of the overspend (£326k) relates to the retention payments due for the previous phase of the programme.
- ICT £117k – additional capital software costs related to the ongoing development of the QL housing system.

4.8 There is one capital carry forward that will be moved into 2026/27 which is summarised below:

Table 4 – Capital Budget Carry Forward 2026/27

Project	Budget Carry Forward £'000	Funding	Commentary
Housing Development Investment Programme	**321**	Usable Capital Receipts	Continuation of programme into 2026/27

HRA Reserves 2025/26

5.1 An integral element of the closedown procedure is to undertake a review of the usage and levels of the Council's reserves and balances. The financial statements reflect the proposed use of these, and specific details of the HRA balances and reserves are set out below.

Table 5 – HRA Reserves Position

Description	Actual Balance as at 31 March 2025	Net Provisional Movement	Provisional Balance as at 31 March 2026
	£'000	£'000	£'000
Revenue Reserve			
HRA Climate Reserve	500	(43)	457
HRA Priorities Reserve	5,761	(2,014)	3,747
Reactive Repairs Reserve	1,000	(1,000)	0
Working Balance*	1,573	604	2,177
Total HRA Revenue Reserves	**8,834**	**(2,453)**	**6,381**
HRA Capital Reserve			
HRA Capital Receipts Reserve	11,573	(73)	11,500
Major Repairs Reserve *	15,316	(4,957)	10,359
Total HRA Capital Reserves	**26,889**	**(5,030)**	**21,859**
Total HRA Reserves	**35,723**	**(7,483)**	**28,240**

* this is an estimated position and will be finalised when the statement of accounts are produced.

5.2 HRA Priorities Reserve movements
- £100k for new build feasibility works
- £57k for additional revenue funding to support regulatory works to address damp and mould improvements plus TPAS (Tenant Engagement) accreditation.
- £76k to cover the 2025/26 pay award.
- £1.781m to part fund the revised increased revenue budget taken to Council on 4th November 2025 to fund reactive and urgent works.

5.3 Reactive Repairs Reserve movements – additional £1m to fund the remaining element of the revised increased revenue budget taken to Council in year to fund the increase in repairs and maintenance works.

5.4 HRA Climate Reserve - £43k to fund energy and decarbonisation surveys of sheltered housing schemes.

5.5 HRA Capital Receipts Reserve – The Council has established a capital receipts reserve where the 'Right to Buy' (RTB) sale receipts are allocated. During the year £5.2m receipts have been received with 51 RTB sales and 3 non RTB sales (compared to 31 RTB sales in 2024/25 and 2 non RTB sales). During the year £5.3m of the reserve has been used to contribute towards the financing of the capital programme. This reserve will continue to be utilised to contribute to the provision of affordable housing and the provision of additional Council housing stock.

5.6 Major Repairs Reserve – This reserve has been decreased by £4.957m. This net movement includes financing of the capital expenditure on housing improvement of £12.852m. In accordance with the HRA business plan an annual allocation is required in order to provide sustainable funding for the HRA capital programme. £7.895m has been transferred to this reserve from the Housing Revenue Account to this effect. This reserve will continue to be the primary financing for the housing improvement elements of the Capital Programme.

6. Reasons for the Recommendations

6.1 It is important that Cabinet are aware of the financial position of the Housing Revenue Account to ensure they can make informed decisions that are affordable and financially sustainable for the Council. Effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council's priorities.

6.2 This report provides an overview of the provisional Housing Revenue Account outturn financial position for 2025/26.

7. Other Options Considered

7.1 The terms of reference of the Governance and Audit Committee require the Committee to consider the annual revenue and capital outturn report, including the movement of reserves. Therefore, the option of not producing a provisional outturn report was discounted.

8. Consultation

8.1 The Outturn report will also be presented to FEOSC on 21st July 2026, ahead of Cabinet on the same day.

9. Appendices

9.1 Appendix A – 2025/26 HRA Significant Variance Analysis

APPENDIX A – HRA 2025/26 PROVISIONAL REVENUE OUTTURN ANALYSIS

Service Area	2025/26 Current Budget	2025/26 Current Budget (less Budget Carry Forwards)	2025/26 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2025/26 Outturn Variance
Expenditure	25,890	25,740	25,680	(210)	(60)
Income	(31,112)	(31,112)	(30,889)	223	223
Net Cost	**(5,222)**	**(5,372)**	**(5,209)**	**13**	**163**

Explanation of Significant Variances	£'000
Repairs & Maintenance • Significant progress was made during the year to reduce the number of overdue repairs, from 2,337 in April 2025 to 1,208 by March 2026. As it is a priority of the council to improve the repairs service by ensuring repairs are completed within policy timescales and in accordance with the Housing Regulators expectations. • As a result of the above, there was an agreed increase in revenue budget of £2.7m in year. The budgets have been closely monitored to keep within the revised budget with a minor overspend of £96k at year end which is 0.60% of the current budget.	**96**
Supervision & Management • Council Tax on empty homes was overspent by £97K. This was largely due to the decants required in response to the introduction of Awaab's Law, relating to the treatment of damp and mould. The legislation was introduced post budget setting for 2025/26 but we have addressed the increased requirement in the 2026/27 budget. • An overspend of £65k on agency costs was incurred due to the need for additional support requirements on QL. • During the year a new tree policy was introduced along with a review of tenancy agreements. This resulted in additional works being required and an overspend of £45k.	**207**
Bad Debts • Following pro-active debt management reviews in year, alongside appropriate write-off actions undertaken in year, the overall level of arrears has reduced resulting in a reduction in the bad debt provision level required rather than the budgeted increase.	**(361)**
Income • Budget setting assumptions allowed a higher volume of rents from new build properties. Delays in the new build programme reduced the number of rent collectable weeks on these. • Following significant reforms to the right to buy scheme, tightening eligibility and reducing discounts, a significant increase to applications was received to beat the deadline before the changes were introduced. This resulted in a higher loss of stock to right to buy	**216**

than forecast in the budget assumptions, therefore reducing the collectable rent by £294k • This has been partly offset by an increased income of £78k from charges to services and facilities due to the budget being set prior to the review of warden and communal charges. Under recovery on utilities has started to be addressed in year which has seen an increase in charges. The 2027/28 budgets will be rebased accordingly.	

SOUTH KESTEVEN DISTRICT COUNCIL

Governance and Audit Committee

Thursday, 23 July 2026

Report of Councillor Bridget Ley – Cabinet Member for Finance

Treasury Management Annual Report 2025/26

Report Author

David Scott – Assistant Director of Finance and Deputy s151 officer

David.scott@southkesteven.gov.uk

Purpose of Report

This report provides Governance and Audit Committee with the details of the Council's treasury management activity for the financial year 2025-2026.

Recommendations

Governance and Audit Committee is requested to approve the Annual Report on Treasury Management activity for 2025/26.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance

1.1 The financial implications are included within the report.

Completed by: Richard Wyles, Deputy Chief Executive and Section 151 Officer.

Legal and Governance

1.2 The Council is under a duty to manage its resources prudently and therefore due consideration must always be given to the borrowing and lending strategy. A wide range of local authority finance activities, including borrowing, lending, financial management and the approval of types of investment vehicle are governed by legislation and various regulations. This report provides details of the Council's performance in respect of Treasury Management against policy set out as part of the Budget and Policy Framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

2.1 The Local Government Act 2003 and associated regulations require the Council to produce:

- an annual treasury management review of activities
- actual prudential and treasury indicators for 2025/2026.

2.2 This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

3. Key Considerations

3.1 For the financial year 2025-2026, the Council adhered to Prudential Code reporting requirements with members receiving the following reports:

- An annual treasury management strategy in advance of the year which was approved by Council on 27 February 2025.
- A first quarter treasury management activity update on 23 July 2025.
- A mid-year treasury update report which was approved by Governance and Audit Committee on 13 November 2025.
- A third quarter treasury management activity update on 18 March 2026
- An annual review following the end of the year describing the activity compared to the strategy (this report).

3.2 Governance and Audit Committee has delegated powers to deal with matters relating to the Council's treasury management activities. Specifically, it has the responsibility to monitor, review, and amend as appropriate the Council approved Treasury Management Strategy during the financial year. During the course of the year no further changes were made.

3.3 The regulatory environment places responsibility on members for the review and scrutiny of treasury management policy and activities. This report provides details of the outturn position for treasury activities and highlights compliance with the policies previously approved and adopted by the Council.

Treasury Position as at 31 March 2026

3.4 The Strategy for 2025/26 was approved on 27 February 2025.

3.5 A key element of daily operations focuses on comparing current market conditions in conjunction with the MUFG (formerly Link) credit rating list. The list is a tool for guidance, which would only be deviated from when clear better alternative options are available. Where such decisions are taken, a clearly documented audit trail is maintained.

3.6 The aim of the Strategy is to generate a list of highly creditworthy counterparties which enables diversification of investments and thus avoidance of risk whilst providing security.

3.7 A summary of the Council's treasury position at 31 March 2026 is as follows:

Actual Debt Management Activity During 2025-2026

Actual Borrowing Position	31 March 2025		31 March 2026	
	Principal	Average Rate	Principal	Average Rate
Fixed Interest Rate Debt	£79.769m	2.57%	£76.548m	2.57%
Capital Financing Requirement	£100.113m		£102.722m	
Over/(Under) Borrowing	(£20.344m)		(£26.174m)	

Investment Position	31 March 2025		31 March 2026	
	Principal	Average Rate	Principal	Average Rate
Fixed interest Investments	£42.000m	5.03%	£42.000m	4.31%
Variable Interest Investments	£20.767m	5.20%	£1.141m	3.80%
Total Investments	£62.767m	5.11%	£43.141m	4.30%

3.8 The £76.548m (wholly HRA debt) is split between short term and long-term borrowing as follows:

- Short-term - £3.221m which is repayable within the next 12 months
- Long-term - £73.327m

Actual Investment Activity During 2025/26

3.9 The Council's investment policy is governed by MHCLG (Ministry of Housing, Communities and Local Government) guidance, which was implemented in the Annual Investment Strategy approved by the Council on 27 February 2025. The investment activity during the year complied with the approved strategy throughout the whole year. During the year the Council had no liquidity difficulties.

3.10 At 31 March 2026 the Council held short and long-term investments of £43.141m and was compliant with the Council's policy to hold no more than 35% of investments as long-term. This includes a £3m in the CCLA (Church, Charities, and Local Authorities) Local Authority Property Fund.

3.11 The CCLA Local Authority Property Fund invests in property, on behalf of the Council. The value of any investment in the fund will fluctuate in line with property market values. The Council considers this a long-term investment that it has entered into for a minimum of five years as this mitigates the risk of fluctuations in the value of the investment which was £2.619m at 31 March 2026 which remains unchanged from the previous year end value.

3.12 The primary reason for investing in the fund was that the quarterly dividend payment provides a significantly higher return than other investments. The dividend payable for the year was £0.120m which equates to a 4.30% return on the initial £3m investment.

3.13 Over the life of the investment the Council has achieved dividends totalling £0.748m which is in excess of the current notional loss in value of £0.381m. Under the accounting rules for this type of investment any gains or losses on the overall fund value would need to be credited or charged to the General Fund. Currently, a statutory override is in place until 1 April 2029.

3.14 The total amount of investments has decreased between 31 March 2025 and 31 March 2026 from £62.767m to £43.141m, respectively. The reduction is as a result of financing the capital programme across both the General Fund and HRA wholly from reserves (and grant funding where available) such as the building of the New Depot and meeting the decent homes standards across the HRA stock. There were no cashflow issues during 2025/26 although it is noted that cashflow management is becoming more challenging as reserve levels continue to decrease.

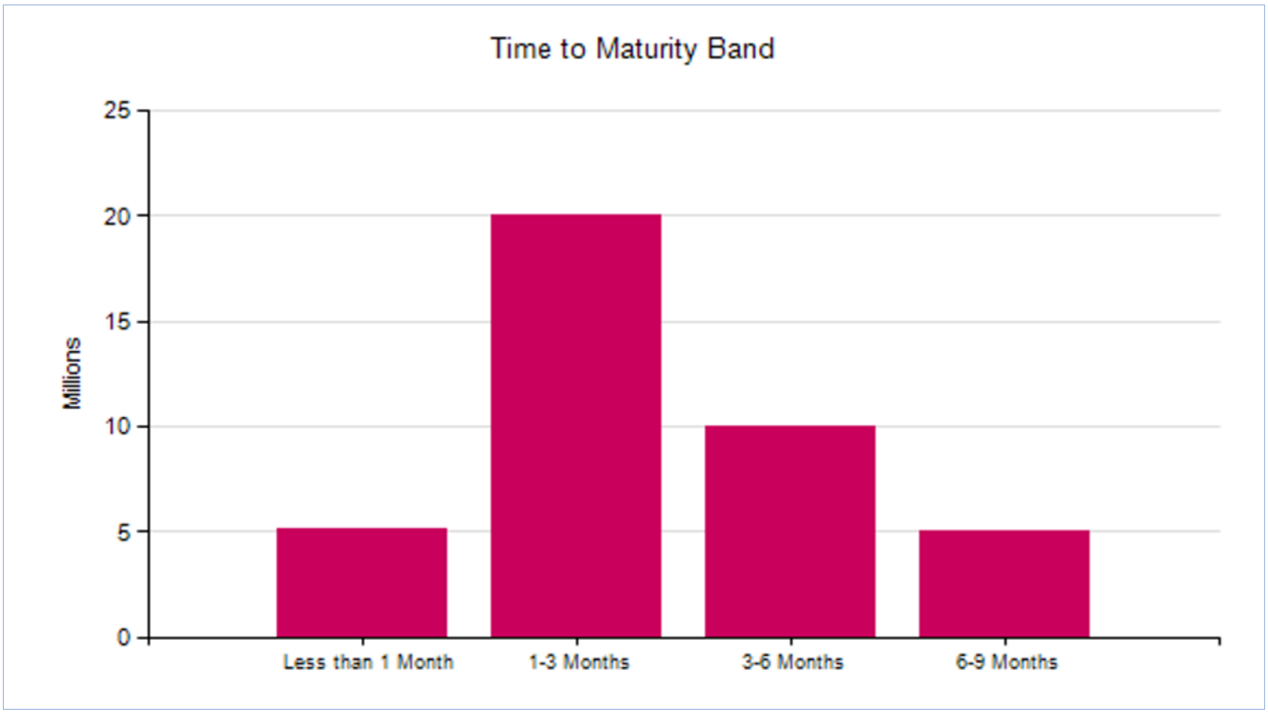
3.15 During 2025/26 The Council continued to place emphasis on ESG (Environmental, Social and Governance) investments. It is the aim to maintain at least 10% of the portfolio of this type of investment where possible which has been achieved over the last financial year.

3.16 In 2025/26 the Council had budgeted investment returns of £2.748m. The provisional outturn is £2.718m which is a minor reduction in year of £0.030m against budget. This was as result of lower overall investment balances than anticipated with the need draw on the HRA reserves to fund in-year spending pressures.

3.17 The duration and counterparties of investments as at 31 March 2026 are shown in the following table and graph. When investments are placed the duration is determined by taking into consideration the treasury advice received from MUFG (formerly Link), and the cashflow for the Council. A wide number of counterparties are used as the Council has recommended investment limits that can be placed with each institution which assists with risk management.

Country	Institution	Instrument Type	Start	Maturity	Yield	Principal
DEU	HELABA	Fixed Term Deposit	10/10/2025	10/04/2026	4.12%	£3,000,000
	HELABA	Fixed Term Deposit	15/08/2025	15/05/2026	4.15%	£5,000,000
	HELABA	Fixed Term Deposit	01/09/2025	01/06/2026	4.18%	£5,000,000
						£13,000,000
GBR	Standard Chartered Bank	Fixed Term Deposit	31/03/2026	30/04/2026	3.57%	£1,000,000
	Lancashire County Council	Fixed Term Deposit	29/08/2025	29/05/2026	4.30%	£5,000,000
	Plymouth City Council	Fixed Term Deposit	09/12/2025	09/06/2026	4.65%	£5,000,000
	Surrey Heath Borough Council	Fixed Term Deposit	03/09/2025	03/07/2026	4.25%	£5,000,000
	Leeds City Council	Fixed Term Deposit	22/09/2025	22/07/2026	4.25%	£5,000,000
	Highland Council	Fixed Term Deposit	24/10/2025	05/10/2026	4.55%	£5,000,000
						£26,000,000
MMF	MMF LGIM	Money Market Fund			3.78%	£524,000
	MMF Federated Investors (UK)	Money Market Fund			3.82%	£617,000
						£1,141,000
Total						**£40,141,000**

*excluding property fund



3.18 Treasury advisers, MUFG, also provide benchmarking of comparative information across all their clients which helps the Council understand how its investment portfolio is performing in relation to others.

3.19 The table below shows for each quarter analysis the average rate of return was above average when compared to other District Councils within the comparative group. This reflects the prudent approach to managing risk and return to maximise investment returns whilst balancing exposure to risk.

Quarter Ending	SK WARoR	District WARoR*	SK WA Credit Risk**	District WA Credit Risk**
Q1 June 2025	4.49%	4.40%	2.91%	2.02%
Q2 September 2025	4.30%	4.16%	2.09%	1.96%
Q3 December 2025	4.27%	4.05%	2.34%	1.92%
Q4 March 2026	4.28%	4.08%	2.07%	1.98%

*WARoR – Weighted average rate of return
** WA Credit Risk – Weighted Average Credit Risk Number

3.20 As part of the Prudential Code, the Council sets a number of prudential and treasury indicators as part of the Treasury Strategy, the estimated performance against these indicators was provided in the Treasury Strategy approved on 27 February 2025 and the actual performance against these indicators is detailed at Appendix A.

Treasury Management Audit

3.21 As part of the Internal Audit plan for 2025/26, the Treasury Management service received a substantial opinion of the effectiveness of the controls in place. There were 2 'low' recommendations which have both been completed. This was a positive outcome demonstrating effective financial management of the Council's investments and cashflows.

Economic Outlook

3.22 As with 2024/25, UK inflation has proved somewhat stubborn throughout 2025/26. Having started the financial year at 3.5% (April), the CPI measure of inflation peaked at 3.8% from July to September 2025, before dipping to 3% in January and February 2026. Core inflation picked up to 3.2% in February 2026, from 3.1%, and the recent upward pressure on energy costs could see CPI inflation breach 4.5% later this year.

3.23 Against this backdrop, the continued lack of progress in ending the Russian invasion of Ukraine, and the potentially negative implications for global growth as a consequence of the implementation of US tariff policies, Bank Rate reductions look limited for the remainder of 2026 (as they do in the euro-zone). At the beginning of the financial year Bank Rate was 4.50%, before dropping to 4.25% in May 2025, then 4.00% in August 2025 before the last cut in December 2025 to the current rate of 3.75%.

3.24 Moreover, borrowing has becoming more expensive in 2025/26. Gilt yields have risen materially in March 2026, more than reversing the falls earlier in the financial year. Additionally, the public finances have remained under pressure. The higher-than-expected public net sector borrowing of £14.3bn in February was £2.2bn above last February's outturn.

Summary

3.25 The Council's treasury management functions have operated effectively during 2025/26 and have achieved the following:

- Repayment of principal has been secured in all deposits.
- The Council's cash liquidity requirement has been met throughout the financial year.
- Maintained Investment income levels broadly in line with budget despite some in year spending pressures within the HRA.
- The Council has achieved investment returns greater than the benchmark average.
- Robust management of the Council's debt position.
- Prudential indicators set for 2025/26 have been achieved.
- Positive internal audit opinion on Treasury Management function.

4. Other Options Considered

4.1 No other options were considered.

5. Reasons for the Recommendations

5.1 To meet statutory obligations for treasury management.

6. Background Papers

Treasury Management Strategy 2025/26
[Appendix F Treasury Management Strategy 2025-26.pdf]

Treasury Management Q1 Report 2025/26
[Treasury Management Report Quarter 1 202526.pdf]

Treasury management Mid-Year review 2025/26
[Treasury Management Report Quarter 2 202526.pdf]

Treasury Management Q3 Report 2025/26
[Treasury Management Report - Quarter 3 202526.pdf]

7. Appendices

7.1 Appendix A – Capital Prudential and Treasury Indicators 2024/25-2025/26

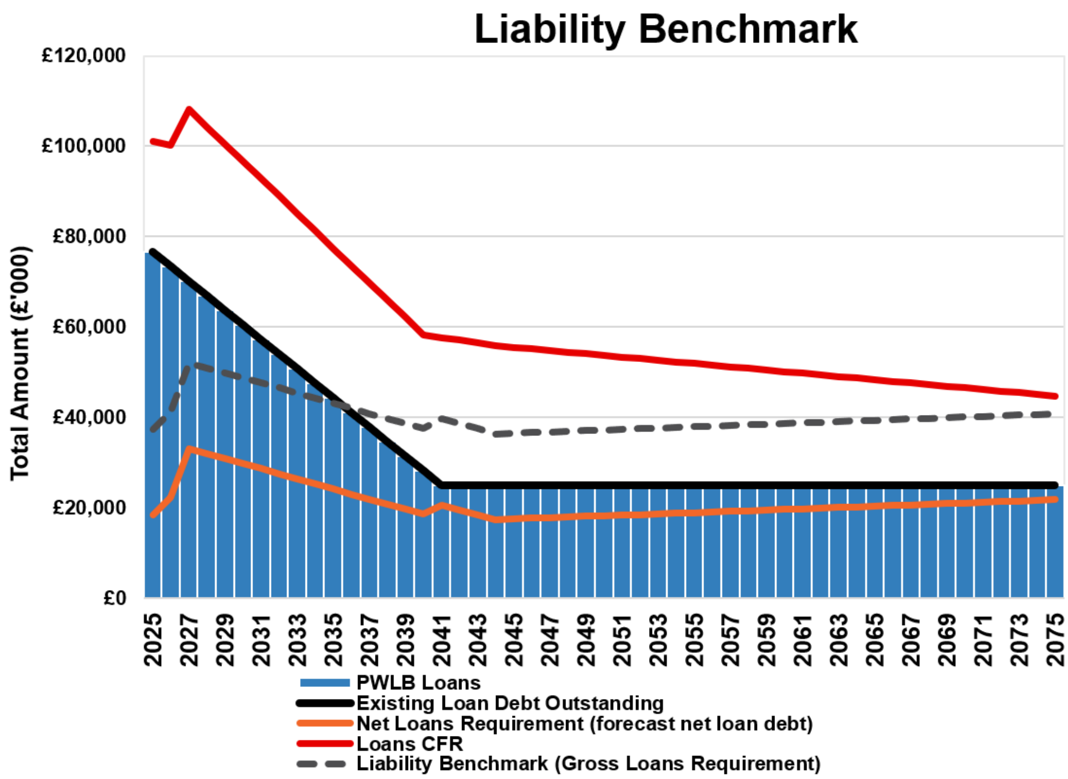
Appendix A

1. PRUDENTIAL INDICATORS

	2024/25 actual £	2025/26 Budget £	2025/26 actual £
Capital Expenditure			
Non-HRA	13.780m	15.179m	16.565m
HRA	22.770m	21.091m	20.984m
TOTAL	**36.550m**	**36.270m**	**37.549m**
Capital Financing Requirement			
Closing CFR – Non HRA	15.626m	24.524m	22.428m
Closing CFR – HRA	83.516m	80.294m	80.294m
Total CFR	**99.142**	**104.818m**	**102.722m**
Opening CFR	**101.004m**	**99.142m**	**100.113m**
Movement in CFR	**(1.862m)**	**5.676m**	**2.609m**
Movement in CFR			
Net financing need for the year	1.639m	9.169m	6.108m
Repayment of HRA Borrowing	(3.222m)	(3.222m)	(3.222m)
Less MRP/VRP and other financing movements	(0.279m)	(0.271m)	(0.277m)
Movement in CFR	**(1.862m)**	**5.676m**	**2.609m**
Gross borrowing requirement			
brought forward 1 April	83.014m	79.792m	79.792m
Expected change in debt	0.000m	0.000m	0.000m
HRA Settlement	(3.222m)	(3.222m)	(3.222m)
carried forward 31 March	**79.792m**	**76.570m**	**76.570m**
Closing CFR	**100.113m**	**104.818m**	**102.722m**
Under / (over) borrowing	20.321m	28.248m	26.152m

Treasury Ratios

Ratio of financing costs to net revenue stream	2024/25 actual	2025/26 Budget	2025/26 actual
Non-HRA	(8.29%)	(4.12%)	(8.59%)
HRA	(1.59%)	1.07%	(2.35%)
HRA Ratios			
HRA debt £m (long-term)	79.769m	73.325m	73.325m
HRA Revenues £m	(30.728m)	(31.111m)	(30.889m)
Ratio of debt to revenues	(2.60%)	(2.36%)	(2.34%)
Number of HRA Dwellings	5,835	5,863	5,835
Debt per Dwelling	£13,671	£12,506	£12,395



2. TREASURY MANAGEMENT INDICATORS

External Debt Indicators

Authorised Limit

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised Limit For external debt	**2025/26 £000**	**As at 31 March 2026 £000**
Debt (non HRA)	41.000	0.000
HRA Reform	115.000	76.548
Other Long-term liabilities	0.000	0.000
Total	**156.000**	**76.548**

Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit, and actual borrowing could vary around this boundary for short times during the year. It should function as an indicator to ensure the authorised limit is not breached.

Operational Limit for external debt	**2025/26 £000**	**As at 31 March 2026 £000**
Debt (non HRA)	23.000	0.000
HRA Reform	100.000	76.548
Other Long-term liabilities	0.000	0.000
Total	**123.000**	**76.548**

Debt Maturity Analysis – Public Works Loan Board as at 31 March 2026

All current external borrowing is classified under the HRA.

Duration	Amount £000
Less than one year	3,222
Between one and two years	3,222
Between two and five years	9,665
Between five and ten years	41,109
Over ten years	19,330
Total	**76,548**

Investment Maturity Analysis – Schedule of Cash Funds

	As at 31 March 2026 £000	Interest Rate %
Short Term Investments		
Federated MMF*	524	3.78
LGIM MMF*	617	3.82
HELABA	3,000	4.12
HELABA	5,000	4.15
HELABA	5,000	4.18
Standard Chartered ESG	1,000	3.57
Lancashire County Council	5,000	4.30
Plymouth City Council	5,000	4.65
Surrey Heath Borough Council	5,000	4.25
Leeds City Council	5,000	4.25
Highland Council	5,000	4.55
Total Short-Term	**40,141**	**4.28 (weighted average rate)**
Long Term Investments		
CCLA Local Authority Property Fund**	3,000	4.58
Total Investments	**43,141**	**4.30 weighted average rate)**

*Rate as at 31/03/2026 but varies on a daily basis

**Dividend yield on Net Asset Value as at 31 March 2026 of £2.619m

SOUTH KESTEVEN DISTRICT COUNCIL

Governance and Audit Committee

Thursday, 23 July 2026

Report of Councillor Bridget Ley, Cabinet Member for Finance

Treasury Management Report Quarter 1 2026/27

Report Author

David Scott – Assistant Director of Finance and Deputy s151 officer

David.scott@southkesteven.gov.uk

Purpose of Report

Regulations issued under the Local Government Act 2003 require the Council to produce regular reports on treasury and debt management operations. This report meets the requirements of the CIPFA Code of Practice on Treasury Management (the Code).

Recommendations

The Committee is requested to note the contents of the Quarter 1 review of treasury management activity for 2026/27.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All

1. Implications

Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Risk

1.1 The financial implications are included within the report.

1.2 The Treasury Management Strategy has been compiled in conjunction with the treasury advisors and is monitored by the Committee on a regular basis.

Completed by: Richard Wyles Deputy Chief Executive and Section 151 Officer.

Legal and Governance

1.3 This report provides details of the Council's performance in respect of treasury management against policy set out as part of the budget and policy framework. Members should note the performance and scrutinise the report as part of the Committee's overall review of the Treasury Management Strategy.

Completed by: James Welbourn, Democratic Services Manager

2. Background to the Report

2.1 Treasury Management is the term used to cover the Council's borrowing and investment strategies. The Council has formally adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. In line with the Code, the council has adopted a Treasury Management Policy Statement that requires regular reports on treasury and debt management operations.

2.2 Under part 1 of the Local Government Act 2003, the Council is required to follow the Prudential Code for capital finance including the setting of prudential Indicators. Relevant treasury management indicators were incorporated into the Treasury Management Strategy 2026/27 approved by Council on 26 February 2026.

2.3 In accordance with these requirements, this report provides a review of treasury management activity for the quarterly period ended 30 June 2026 and reviews current developments. The following elements are covered by the report:

- A review of debt management operations

- A review of investment operations
- An update on the treasury management Prudential Code Indicators

2.4 The CIPFA Treasury Management panel promotes the view that Councils should monitor performance on a quarterly basis. Furthermore, a report by the Audit Commission entitled ‘Risk and Return’ identified the need for local authorities to report regularly to members in addition to the annual review.

3. Key Considerations

Debt Management Operations - Borrowing

3.1 No additional borrowing was required during the first quarter of 2026/27. All current Council borrowing is with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.57**%**. Appendix A shows loans outstanding as at 30 June 2026. Regular reviews are undertaken to consider redemption costs of natural maturity against new borrowing to settle the outstanding debt early.

3.2 Short-term borrowing is defined as borrowing due to be repaid within 365 days. As at 30 June 2026, the Council had short-term borrowing of £3.221m. This will be repaid in instalments of £1.611m on 29 September 2026 and 30 March 2027. The average annual rate of interest on these loan repayments is 3.03%.

Investment Operations

3.3 The average size of the investment portfolio for the 3-month period of Q1 was £51.260m compared to an average portfolio size of £66.479m during the same period in 2025/26.

3.4 The reduction in the portfolio is largely due to use of reserves to fund the capital programme during the 2025/26 financial year alongside internal borrowing for the depot project in order to avoid incurring external borrowing costs.

Investment Activity in the period ended 30 June 2026

3.5 The Council operates a diverse portfolio and methods to invest its reserves which include direct deposits, certificates of deposit, notice accounts and money market funds. As at 30 June 2026 the Council held short term investments of £41.028m (specified investments) and £3m (non-specified investments).

3.6 The Treasury Management Strategy stipulates that the Council should not ordinarily hold more than 35% of investments as non-specified; this policy was adhered to during Q1 of 2026/27. A schedule of investments at 30 June 2026 is set out at Appendix A.

3.7 Short Term Fixed Deposits – In the period ended 30 June 2026, £19.0m of short-term fixed deposits were placed; £28.0m of investments matured within this same period.

3.8 Long Term Fixed Deposits – In the period ended 30 June 2026, no long-term fixed deposits were placed, and no long-term fixed deposits matured.

3.9 Across all short-term investments, the Council is achieving an average rate of return of 4.23% which is higher in comparison to other public bodies within our benchmark group rate who are only achieving 4.08%.

3.10 Overall, the Council is forecasting shortfall on investment income of £415k against its budgeted level of £2.479m. This is due to the average investment balances being lower than anticipated. This follows on from the outturn position where there was a need to draw on the HRA reserves to fund in-year spending pressures, internal borrowing for Depot project and use of reserves to fund capital expenditure.

Treasury Management Prudential Code Indicators

3.11 Prudential Code indicators specific to treasury management are designed to ensure that treasury management is carried out in accordance with professional practice. Indicators for 2026/27, 2027/28 and 2028/29 were approved by Council on 26 February 2026 as part of the Treasury Management Strategy 2026/27.

3.12 The key indicators for 2026/27 and actual figures for the 3 months to 30 June 2026 are set out at Appendix A. All investment activity has been maintained within the indicator limits.

Economic Update

3.13 The key indicator affecting the Council's treasury management is the base rate, which is currently 3.75%, having fallen from 4.00% in December 2025. MUFG, the Council's Treasury Management advisors predict a fall to 3.75% by the end of 2026/27, with a potential for a further cut in September 2027 then ultimately falling to 3.25% by 2027/28.

3.14 Inflation will also impact both the base rate and the Council's budgets. CPI fell from 3.3% in March 2026 to 2.8% in May 2026. The Government target for CPI remains at 2% and MUFG's current forecast is that CPI will fall to meet this by the end of Q4 of 2027.

4. Other Options Considered

4.1 No other options were considered.

5. Reasons for the Recommendations

5.1 The Committee should be kept updated on the Council's financial position.

6. Background Papers

6.1 Treasury Management Strategy 2026/27
[Appendix F - Treasury Management Strategy 2026-27.pdf]

7. Appendices

7.1 Appendix A – Treasury Management Prudential Indicators.

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Appendix A

Debt Maturity Analysis – Public Works Loan Board as at 30 June 2026

All current external borrowing is classified under the HRA

Duration	Amount £000
Less than one year	3,222
Between one and two years	3,222
Between two and five years	9,665
Between five and ten years	41,109
Between ten and fifteen years	16,109
Over fifteen years	3,222
Total	**76,548**

Investment Maturity Analysis – Schedule of Cash Funds

	As at 30 June 2026 £000	Interest Rate %
Short Term Investments		
LGIM MMF*	5,000	3.92
Federated Prime3 MMF*	5,000	3.92
Invesco MMF*	1,028	3.87
Standard Chartered - Sustainable	5,000	4.30
Bank of Montreal	5,000	4.10
Leeds City Council	5,000	4.25
Plymouth City Council	5,000	4.40
Surrey Heath Borough Council	5,000	4.25
The Highland Council	5,000	4.55
Total Short-Term	**41,028**	**4.20 (weighted average rate)**
Long Term Investments		
CCLA Local Authority Property Fund	3,000	4.66
Total Investments	**44,028**	**4.23 (weighted average rate)**

*Rate as at 30/06/2026 but varies on a daily basis

External Debt Indicators

Authorised Limit

This represents the limit beyond which borrowing is prohibited and needs to be set and revised by members. It reflects the level of borrowing which, while not desired, could be afforded in the short term, but is not sustainable. It is the expected maximum borrowing need with some headroom for unexpected movements. This is the statutory limit determined under section 3(1) of the Local Government Act 2003.

Authorised Limit For external debt	**2026/27 £000**	**As at 30 June 2026 £000**
Debt (non HRA)	41,000	0.000
HRA Reform	115,000	76,548
Other Long-term liabilities	0.000	0.000
Total	**156,000**	**76,548**

Operational Boundary

This indicator is based on the probable external debt during the course of the year; it is not a limit and actual borrowing could vary around this boundary for short times during the year. It should act as an indicator to ensure the authorised limit is not breached.

Operational Limit for external debt	**2026/27 £000**	**As at 30 June 2026 £000**
Debt (non HRA)	23,000	0.000
HRA Reform	100,000	76,548
Other Long-term liabilities	0,000	0.000
Total	**123,000**	**76,548**

SOUTH KESTEVEN DISTRICT COUNCIL

Governance and Audit Committee

Thursday, 23 July 2026

Report of Councillor Philip Knowles, Cabinet Member for Corporate Governance and Licensing

Review of Strategic Risk Register

Report Author

Tracey Elliott, Governance & Risk Officer

tracey.elliott@southkesteven.gov.uk

Purpose of Report
To provide an update following a review of the Council's Strategic Risks and Strategic Risk Register.

Recommendation

The Committee is asked to consider the outcomes of the review and approve the updated Strategic Risk Register.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All Wards

1. Implications

1.1 Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

1.2 There are no specific financial comments arising from this report. The Strategic Risk Register is regularly reviewed to ensure agreed actions are implemented and new risks and remedial actions are identified as necessary.

Completed by: David Scott – Assistant Director of Finance and Deputy S151 Officer

Legal and Governance

1.3 It represents good governance to keep the Council's Strategic Risk Register under regular review, which is a responsibility of the Governance and Audit Committee. There are no governance implications arising from this report which are not already reflected in the report or appendices.

Completed by: Graham Kitchen – Director of Law and Governance (Monitoring Officer)

Risk Management

1.4 Effective risk management is critical to ensure the Council maintains its services, progresses towards achieving its corporate objectives, and provides assurance it is operating on sound corporate governance principles.

Completed by: Tracey Elliott – Governance & Risk Officer

2. Background to the Report

2.1 One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the risk management arrangements in place and the activities that are being undertaken to mitigate those risks. In accordance with Governance and Audit Committee's workplan, the Strategic Risk Register is presented to Committee twice a year for review.

2.2 Ensuring the ongoing effectiveness of the internal control environment is incumbent on those charged with governance at the Council. In doing so, the Council can demonstrate that it is protecting public funds, resources, and assets as well as staff, customer, and wider stakeholder interests. The Governance and Audit Committee rely on a number of assurance mechanisms for this purpose, including reports generated from within the Council, Scrutiny and Overview, and external reports from other bodies such as internal and external audit.

2.3 The Strategic Risk Register was last reviewed by the Committee at its meeting on 18 March 2026. This review included an assessment of effectiveness of the key controls that manage the Council's strategic risks. Since this date the Strategic Risk Register has been kept under review and updated accordingly.

2.4 As a reference point and translated into the Council setting, the UK Code of Corporate Governance identifies that those responsible for governance should carry out a robust assessment of the emerging and principal risks to determine the nature and extent of the risk it is willing to take in order to achieve its priorities. This is a requisite of good governance.

3. Summary

3.1 The Council faces an ever-changing risk landscape impacted by local, national and global events and therefore by its nature the Strategic Risk Register is always a work in progress.

3.2 With the above in mind, the Council has kept under review the Strategic Risk Register including the risks, causes and effects, controls, scoring, risk appetite and further actions. In doing so, the Council has used various sources including compare and contrast with other council's risks, the RSM Emerging Risk Radar (amongst other reports/publications) and the cumulative knowledge and experience of officers, as well as RSM whom have facilitated the strategic risk register review.

3.3 The current Draft Strategic Risk Register can be found at Appendix A. There are now 12 strategic risks, as compared with 11 previously reported, as a new risk Artificial Intelligence (AI) Governance Lag has been added.

3.4 The Council is committed to managing diverse strategic risks through defined priorities, risk appetites, controls, and proactive actions to safeguard governance, financial stability, service quality, and community well-being.

3.5 The risk scoring for the previous 11 reported remain unchanged from when the Strategic Risk Register was last reported.

3.6 The following provides a summary of the 12 strategic risks faced by the Council:

1. Cyber Security Attack Risk

- The Council prioritises an effective response to cyber threats with an averse risk appetite, aiming to minimise residual risk within resource limits.

- Key causes include outdated detection, inadequate training, unclear responsibilities, poor cyber culture, insecure systems, and increasing attack complexity by criminals and states. Effects range from service disruption, data breaches, financial costs, to reputational damage.
- Controls include a cyber strategy funded by MHCLG, up-to-date IT protections, mandatory training, two-factor authentication, defined roles, continuous software updates, incident monitoring, and engagement with national bodies.
- The residual risk is rated **High (13)**. A new action is the implementation of the MHCLG action plan in 2026/27 accompanied by its ongoing monitoring.

2. Health, Safety, Wellbeing, and Safeguarding Failures

- Aligned with the "Effective Council" priority and an averse risk appetite. This risk stems from lack of policy application, training, role clarity, culture, risk assessments, and system maintenance. Potential effects include harm to individuals, investigation costs, and reputational damage.
- Controls encompass reviewed policies accessible via intranet, dedicated managers and leads, defined responsibilities, regular reporting to committees and statutory groups, risk assessments, physical security measures, audits, training programs, wellbeing initiatives, and resilience workshops.
- The residual risk is **Medium (10)**. A new action proposes expanding the personal resilience survey/workshop to become Council wide.

3. Financial Sustainability (General Fund) Risk

- With a cautious risk appetite, the Council monitors external economic factors, local government financial settlements, and reorganisation implications. Causes include poor financial planning, controls, unclear roles, weak systems and global events. Effects threaten financial stability, council plans, reputation, and may lead to qualified audit opinions.
- Controls include a Medium-Term Financial Plan to 2027/28, monthly financial reporting, updated regulations, training, delegation schemes, scrutiny committees, experienced finance teams, audit plans, governance statements, and external audits.
- Residual risk is **Medium (10)**, with no new actions currently identified. Existing controls will continue to be monitored.

4. Staffing Capacity and Capability Challenges

- The Council's cautious (sometimes open) risk appetite addresses recruitment difficulties in certain roles, competition, Local Government Reorganisation (LGR) uncertainties, employer attractiveness, and

performance management. Effects include service quality deterioration, knowledge loss, user dissatisfaction, and inefficiency.
- Controls involve the People Strategy 2025-2030, HR business partnering, performance improvement policies, employer branding, pay benchmarking, attrition monitoring, recruitment campaigns, alternative service provisions, training, talent management, succession planning, wellbeing programs, and appraisal systems. Residual risk is **High (9)**.
- A new action is the implementation of the People Plan in financial year 2026/27 including its ongoing monitoring.

5. Compliance with New Regulations and Legislation

- With a minimal risk appetite, the Council faces risks from lack of awareness, ineffective interpretation, poor communication, and resource constraints amid increasing legislative changes, notably in planning. Possible effects include legal challenges, service quality decline, reputational damage, and regulatory intervention.
- Controls include horizon scanning, monitoring officers, reporting breaches, professional engagements, network collaborations, daily briefings from MHCLG, data reviews, and member briefings.
- Residual risk is **High (9)**, with continued monitoring of existing controls.

6. Societal, Demographic, and Cultural Changes

- The Council adopts an open risk appetite to explore innovative solutions addressing misinformation, extremism, poverty, distrust, communication gaps, and complex service user needs. Effects include stakeholder dissatisfaction, resource pressures, governance challenges, and harm to individuals.
- Controls include local economic forums, partnership engagement, community strategies, consultations, communications plans, youth councils, member networking, parish engagement, annual reports, safer streets initiatives, and asylum dispersal funding.
- Residual risk is **Medium (5)**. A new action involves developing an action plan in connection with how the asylum dispersal funding will be applied to best effect.

7. Major Governance Failure

- With an averse risk appetite, the Council mitigates risks from unclear committee structures, behavioural expectations, governance measurement, member development, and LGR governance drift. Effects include inefficient decision-making, illegality, dissatisfaction, and reputational harm.
- Controls include an up-to-date constitution, defined committees and terms of reference, delegation schemes, governance training, committee

assessments, experienced chairs, policies, published decisions, governance statements, code of conduct training, and complaint procedures.
- Residual risk is **High (9)**. Ongoing reviews and new post-committee reflection sessions are planned.

8. Fraud and Theft Risk

- An averse risk appetite guides efforts against external digital fraud and internal procedural weaknesses. Causes include outdated policies, insufficient training, unclear roles, poor culture, and system maintenance. Effects involve investigation costs and reputational damage.
- Controls feature counter-fraud strategies, whistleblowing and anti-money laundering policies, internal audit focus, governance committees, statutory officer meetings, reporting, trained staff, financial regulations, national data matching, external audit opinions, and risk assessments.
- Residual risk is **Medium (10)**. Actions include developing a fraud risk assessment plan and ongoing training with updates planned for Summer 2026.

9. Housing Revenue Account (HRA) Viability Pressure

- With a minimal risk appetite, challenges include demand exceeding supply, substandard stock conditions, insufficient engagement between / by providers, and resource limitations amid new housing regulations. Effects encompass poverty, increased support demand, financial impact on HRA, stakeholder dissatisfaction, and regulatory fines.
- Controls include policies on damp and mould, stock condition surveys, maintenance programs, reserves, tenant engagement, performance reporting, agency liaison, local plan reviews, enforcement actions, KPI dashboards, compliance meetings, business plan reviews, and external consultancy.
- Residually the risk is **Very High (14)**. A new action tracks progress on the HRA finance action plan with member updates to be provided.

10. Local Government Reorganisation (LGR) Implications and Uncertainty

- The Council’s open and sometimes hungry risk appetite embraces innovation while managing uncertainties from reorganisation timing, roles, service provision, partnerships, funding, and inter-authority relations. Effects include unmanaged risks, loss of influence, compromised business, recruitment challenges, poor value for money, and criticism.
- Controls involve continuous monitoring, staff briefings, project teams, regular cabinet updates, engagement with parish councils, partnerships, professional advice, data agreements, MHCLG meetings, national

briefings, governance timelines, risk assessments, and a "No Regrets" work plan.
- Residual risk is **Very High (15)**, with continued monitoring of existing controls.

11. Devolution Opportunities

- With a hungry risk appetite, the Council seeks to maximise benefits from devolution despite uncertainties in roles, resources, funding, and engagement. Effects mirror those of LGR with unmanaged risks and compromised quality.
- Controls include monitoring proposals, staff communications, project teams, cabinet updates, combined authority updates, joint committees, member representation, and risk assessments.
- Residual risk is **High (12)**, with continued monitoring of existing controls.

12. New Risk: Artificial Intelligence (AI) Governance Lag

- The rapid adoption of AI poses disruptive risks including data breaches, poor decisions, loss of trust, increased external enquiries, and inefficient investments (lost opportunity). Causes include absence of AI policies, limited senior understanding, unsanctioned AI tool use, data ownership ambiguities, technical capability gaps, and potential misuse by stakeholders.
- Controls and enablers are under development, including a senior responsible officer, data governance oversight, and IT monitoring.
- Residual risk is **Very High (14)**. A new action is developing and communicating a Council-wide AI governance framework with supporting tactical plans.

4. Conclusion

4.1 The Committee can take assurance from the management assessment that the strategic risk control environment is deemed in the main effective and in some cases partially effective.

4.2 In all cases consideration has been given to what action can be taken to improve and strengthen the strategic risk controls, taking into account the risk appetite.

5. Next steps

5.1 The Council will continue to keep under review the strategic risks and update the Strategic Risk Register accordingly. This will include a review of emerging risk, and the Council Emerging Risk Radar will be updated (Quarter 3), as well as an assessment of strategic risk controls effectiveness (Quarter 4).

5.2 Outcomes of the above could lead to changes in the Strategic Risk Register and will be included in reporting to this Committee at a future meeting.

5.3 Officers will be encouraged to consider the Council's strategic risks and risk appetite in making decisions including explicit reference to this in committee reports where it is appropriate to do so

6. Key Considerations

6.1 The Committee should keep under review the Strategic Risk Register, and any further steps identified.

6.2 The Committee should seek to ensure alignment of assurance provision within the Strategic Risk Register for the purpose of building a picture of effectiveness of risk management within the Council.

7. Reasons for the Recommendations

7.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (xi) reviews the Strategic Risk Register and other key risks (including partnerships) and seek assurances that appropriate mitigating action has been taken where necessary.

8. Appendix

8.1 Appendix A – Draft Updated Strategic Risk Register

Draft Strategic Risk Register July 2026

Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (excluding effectiveness assessment)	Residual score	Action updates
1. Successful/serious cyber security attack on the Council Corporate Priority **Effective Council** Risk Appetite **Averse** *We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.*	Potential causes: • Lack of effective cyber security detection arrangements (out of date, not communicated, not understood) • Lack of relevant and timely training relating to cyber security • Lack of clarity in roles and responsibilities relating to cyber security • Cyber security culture not bought into • Insecure digital systems and records (Council and third-party providers) • There are increasing frequency of attacks and with increased complexity occurring • Institutions are being targeted by criminals and aggressive states Possible effects: • Inability to access systems – unable to deliver services • Data compromised – potential harm to individual/ICO fine • Investigation and rectification costs • Council reputation damage	– Creation of new cyber strategy and action plan (using MHCLG funding) – Up to date and effective IT and cyber security protections in place which are reviewed annually and are communicated to staff – Cyclical mandated IT and cyber security training provided to all staff – Elected Member cyber security training in place – Two-factor authentication now in place for elected members – Defined roles and responsibilities in relation to cyber security with an IT security lead – Regular communications, reminders, and updates to staff in connection with cyber risk – Programme for continuous updating/installation of software (including firewall) and new hardware etc – Regular reporting and monitoring of IT security/cyber incidents and remedial plans produced and actioned – Engagement with national organisations and attendance at key events to ensure continuous learning of threats and prevention – MHCLG funding to strengthen cyber resilience	Impact 4 V Likelihood 2 = High 13 *Note:* *There is no change currently*	Implementation of MHCLG action plan during 2026/27. This will be subject to on-going monitoring/ tracking of progress supplemented by an annual review and re-set

2. Health, Safety, Wellbeing, and Safeguarding failures by the Council <u>Corporate Priority</u> **Effective Council** <u>Risk Appetite</u> **Averse** *We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.*	Potential causes: • Lack of effective application of health, safety, wellbeing and safeguarding policies and procedures (out of date, not communicated, not understood) • Lack of relevant and timely training relating to health, safety, wellbeing, and safeguarding • Lack of clarity in health, safety, wellbeing, and safeguarding roles and responsibilities • Health, safety, wellbeing, and safeguarding culture not bought into • Lack of effective health, safety, wellbeing, and safeguarding risk assessments • Poorly maintained systems and records Possible effects: • Harm to service user/staff member/visitor etc • Investigation and rectification costs (including potential fines) • Council reputation damage	– Corporate Health & Safety and Safeguarding policies and procedures in place which are regularly reviewed and are accessible via intranet and included as part of induction for all new starters – Health & Safety Manager and Safeguarding Lead Officers in post to provide safety advice and coordinate health and safety and safeguarding activities ie policy, procedures, communications, initiatives etc – Roles and responsibilities defined within the Health & Safety and Safeguarding policies – Health & Safety and Safeguarding annual reports to Governance & Audit Committee – Health & Safety and Safeguarding monthly reports presented to Statutory Officers Group – Monthly meetings with Chief Executive and Health & Safety Manager – Health & Safety Manager and Safeguarding Lead Officer communicate important issues to Senior Leadership Team for their consideration and agreement of action necessary – Service and activity risk assessments undertaken across the Council by managers and cyclically reviewed annually (as a minimum) – Physical deterrents including secure sites eg perimeter fencing, CCTV, site security and access to sites by authorised staff – Monthly housing compliance review by Chief Executive and Leader to ensure embeddedness of safety, wellbeing, and safeguarding arrangements for tenants – Exercise with Caution List maintained and subject to regular review	Impact 4 V Likelihood 1 = Medium 10 *Note:* *There is no change currently*	Consideration to be given to a wider roll out of the personal resilience survey/ workshop across Council

		– Programme of Health & Safety audits with outcomes reported and actions monitored – County Council S11 annual Independent Audit to validate safeguarding arrangements with outcomes reported to Governance & Audit Committee – Statutory Officers Group receive a monthly report of accident figures with causes/ failures highlighted. Actions agreed and monitored – 6 year safeguarding training programme in place for identified Council staff – Annual Safeguarding training mandatory for elected members – Personal resilience survey and workshop (Mid-Managers) – Corporate well being group steers events throughout the year		
3. Unable to maintain financial sustainability (General Fund) in the medium term (to end of 2027/28) <u>Corporate Priority</u> **Effective Council** <u>Risk Appetite</u> **Cautious** *We are willing to accept some degree of residual risk where we have identified scope to achieve proportionate benefit –*	Potential causes: • External factors being increasing costs due to macro- economic play through largely outside of controls eg international war, global geo-politics, government policy change etc impacting cost of energy, supplies etc or emergence of an unforeseen financial event and cost • Outcome of Local government financial settlement including fair funding review implications, resetting of business rates etc up to Financial Year 2027/28 - this being the year of Local Government Reorganisation. In the	– Medium Term Financial Plan up to 2027/28 supported by relevant policies, including modelling of various funding arrangements and scenarios re general fund (these will be reported to Cabinet) with indications that the General Fund will remain stable during this period – Monthly financial reports including assessment/discussion of financial position produced and presented at Corporate Management Team – Financial Regulations and Contract Procedure Rules in place and regularly reviewed and updated – Financial training for all finance staff and budget holders – Scheme of Delegation in place and transparency in Officer Delegated Decision reporting	Impact 4 V Likelihood 1 = Medium 10 *Note:* *There is no change currently*	Continuance of existing controls to ensure risk is being managed

striking a balance between the two.	event of LGR not going ahead or being delayed then the Council financial position is likely to face greater pressure requiring a change in focus of the Medium Term Financial Plan • Implications of Local Government Reorganisation on finances • Poor financial information, planning, and budgetary control • Weak financial controls – financial procedures are out of date, not communicated, not understood, not followed • Lack of clarity in roles and responsibilities relating to finances/financial management • Poorly maintained systems and records Possible effects: • Council financial stability threatened • Council plans stifled • Council reputation damage • Qualified External Audit Opinion	– Service management monthly budget management routines including meetings with finance team as required – Statutory Officers review of committee reports for financial implications including commentary as appropriate – Quarterly budget report to Finance and Economic Overview and Scrutiny Committee and Cabinet – Annual Budget Joint Overview & Scrutiny Committee – Experienced finance team including Procurement Officer and support from Welland Procurement Partnership – Internal audit plan adopted by Governance & Audit Committee and monitored – Annual Governance Statement production and publication – Annual financial statements produced and signed off by CMT (and subject to external audit – unqualified opinion) – Regular bi-monthly meeting with External Audit, Chief Executive, and Section 151 Officer – Annual Member training delivered		
4. Unable to maintain and build sufficient staffing capacity and capability Corporate Priority **Effective Council**	Potential causes: • Certain areas, services, and roles within the Council are more challenging to recruit into eg planning • Competition and skill shortage in the marketplace to fill specific	– People Strategy 2025-2030 in place and monitored by Employment Committee – Resource and capacity risks are discussed in HR Business Partnering meetings and escalated to CMT where appropriate	Impact 3 V Likelihood 2 = High 9 *Note:*	Implementation of People Plan during FY 26 27. This will be subject to on-going monitoring/tracking of progress supplemented by an annual review and re-set

<u>Risk Appetite</u> **Cautious (and in some cases Open)** *We are willing to accept some degree of residual risk where we have identified scope to achieve proportionate benefit – striking a balance between the two.* *In some cases we may take on an* ***Open risk appetite*** *where we are willing to explore a range of options and new solutions where we believe the potential benefits outweigh the residual risks and so we take informed risks eg sharing of posts with other councils etc.*	vacancies (intensified by LGR particular at senior level including interim market, geographical location v office working etc) • LGR uncertainties/change fear and potential for increased leavers due to staff looking for alternative employment or older staff retiring from local government etc • The Council is not seen as sufficiently attractive as an employer (image and profile, rewards and benefits, culture and values etc) • Lack of personal/career development, progression, and succession opportunities (intensified by LGR) • Poor performance goes unchecked – not identified and not addressed Possible effects: • Inconsistencies or deterioration in quality of service/provision • Reduced knowledge and experience within key roles at the Council • Deterioration in service user/stakeholder experience and outcomes • Inefficiency/increased costs experienced	– New 'Supporting Performance Improvement' policy approved by Employment Committee in 2025 to support performance management – Continual review of employer brand and Employee Value Proposition to improve attractiveness of roles in the Council – Focused review of pay competitiveness including benchmarking with neighbouring authorities – Attrition monitoring – All vacant and new posts subject to a business case and challenged to review if the post is still required at the requested grade prior to progression – Targeted recruitment campaigns for hard to fill roles – Alternative service provision options considered/explored as appropriate eg buying in services/sharing posts etc – Regular Joint Consultative and Negotiation Committee meetings – Employee Assistance Programme in place – Internal development through training and apprenticeships – Corporate training plan in place with focus on middle managers for upskilling and training – #Team SK Values embedded within the Council – Talent Management Strategy – Succession Planning – Employment Committee receive quarterly HR dashboard data – Development and improvement plans in place with SMART KPIs – Annual appraisal and staff development plans in place for all staff completion and outcomes subject to monitoring and review	*There is no change currently*	

		– Annual staff survey with outcomes reported to the Employment Committee – Equality & Diversity/gender pay gap assessment – Pay policy presented to Employment Committee and Council annually – Use of apprenticeship schemes to enable home grown talent – Annual service planning undertaken which aligns to the Corporate Plan priorities – Wellbeing programme in place – Chief Executive annual appraisal undertaken by external officer and presented to Employment Committee – Use of contractors as required to address capacity/capability gaps		
5. Unable to meet requirements of new regulations and legislation affecting the Council <u>Corporate Priority</u> **Effective Council** <u>Risk Appetite</u> **Minimal** *We shall seek a low degree of residual risk, in a well controlled environment with limited benefit potential.*	Potential causes: • Lack of awareness or visibility of emerging/new regulations and legislation • Ineffective (untimely) interpretation to enable understanding of requirements and implications • Lack of communications/learning and development to meet new requirements across the Council • Ineffective response plans – what, how, who, and when • Ineffective response – lack of resources, knowledge and experience, funding etc • Currently an increasing number of legislative and regulatory changes	– Departments undertake regular horizon scanning for new legislation – Monitoring Officer and Deputy Monitoring Officer in place – Regular reporting on breaches of legislation/ regulations produced by Monitoring Officer – Attendance at professional events and conferences – LGA links, District Councils' Network, LG Futures, CIPFA, and APSE wider networks etc used to raise awareness of legislative and regulatory changes – Daily briefing email to Chief Executive from the MHCLG – Review of any government data sets where the Council may be an outlier – Member briefings on regulatory changes	Impact 3 V Likelihood 2 = High 9 *Note:* *There is no change currently*	Continuance of existing controls to ensure risk is being managed

	impacting local government. In particular new planning rules which will focus on the quality of decisions being made and the number of appeals/outcomes relating to major applications, including a new scheme of delegation re what Councillors can do re decision making Possible effects: • Ultra vires activities – the Council could be subject to legal challenge • Deterioration in quality of services • Council reputation damage • Regulatory intervention			
6. Societal, demographic and cultural changes impacting on communities within the district <u>Corporate Priorities</u> **Effective Council** **Enabling Economic Opportunity** <u>Risk Appetite</u> **Open** *We are willing to explore a range of options and new*	Potential causes: • Increasing level of misinformation in the public domain • Increasing/shifting elements of extremism, poverty, ethnicity within communities creating new demands and tensions • Increasing levels of distrust by the public in institutions and politicians • The Council has no mechanism for identifying and assessing shifts in society and assessing implications • Lack of confidence in politicians and institutions • Ineffective channels of communication with communities and individuals	– Local Economic Forum in place – Engagement of SK Team with key partnerships – Community Engagement Strategy and Plan – Community consultation framework adopted – External Communications Plans including digital comms (web site and social media) – Youth Council in place – Chief Executive/Directors/Cabinet/Members networking within communities and with agencies operating across communities – Parish councils' engagement – State of District report produced annually and presented to Cabinet – Annual Monitoring Statement produced and presented annually – Attending service specific conferences to seek service improvements and innovative ideas	Impact 2 V Likelihood 2 = Medium 5 *Note:* *There is no change currently*	Development of an action plan to identify how the Asylum Dispersal Funding will be applied

solutions where we believe the potential benefits outweigh the residual risks and so we take informed risks.	• Laws and regulations preventing sharing of information between agencies • Service user needs are now often more complex coupled with an expectation that the Council will meet their needs • Inaccessibility of/erosion of wider public services and other agencies including charities leading to the Council becoming the focal point for assistance and help Possible effects: • Stakeholder interests not best served • Erosion of confidence in the Council and increased public criticism (perceived or reality) • Increased pressure on Council resources, services, staff and Members • Potential undermining of governance, suboptimal services and erosion of democracy • Harm to individuals, be this Council Staff, members of the public within communities or service users	– Member engagement workshop – Access to Asylum Dispersal Funding – Increased safer streets activities including by example mobile CCTV, community cohesion officer roles etc – The Council is continually seeking to effectively engage, including way and means of communication and this remains in progress		
7. Major Governance failure <u>Corporate Priority</u> **Effective Council**	Potential causes: • Lack of clearly defined committee structure and procedures, including terms of reference to	– Up to date Constitution in place – Clearly defined committee structure in place – Up to date Terms of Reference for all committees – Member and Officer Scheme of delegation in place	Impact 3 V Likelihood 2 = High 9	The Director of law and Governance is undertaking review of constitutional decision-making documents

<u>Risk Appetite</u> **Averse** We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.	support effective decision making and scrutiny • Behavioural expectations of members (eg adherence with the Nolan Principles/Standards in Public Life) are not clearly set out (not communicated or recognised) • Lack of governance measurement – ineffective processes, non-adherence and poor behaviours go unidentified/not tackled • Lack of Member development programme • LGR Governance drift Possible effects: • Ineffective/inefficient decision making • Illegality • Stakeholder dissatisfaction • Local democracy undermined – reputation damage	– Governance training provided at induction and cyclical updates – Committee effectiveness assessment (annually) Action plans developed to address areas of concern – Committee chairs are sufficiently experienced and trained to fulfil role – Up to date policies and procedures including compliance which are subject to cyclical review and are communicated to staff (and accepted) – Council decisions published – Annual Governance Statement produced and presented to Governance & Audit Committee – Annual Code of Conduct mandatory training for elected Members – Processes in place for complaints, FOI, Subject Access Requests and data breaches which are reported monthly to Statutory Officers meeting	*Note:* *There is no change currently*	Introduce post committee/chairing reflection session
8. Significant fraud/theft successfully committed against the Council <u>Corporate Priority</u> **Effective Council** <u>Risk Appetite</u> **Averse**	Potential causes: • Externally – increasing levels of attempted and successful digital fraud and theft occurring making use of AI etc • Lack of effective anti/counter fraud (theft and corruption) policy and procedures (out of date, not communicated, not understood), including whistleblowing arrangements	– Counter Fraud Strategy in place – Whistleblowing Policy in place – Anti-Money Laundering Policy in place – Internal audit appointed / Internal audit plan focussed on areas of high fraud risk eg depot stocks etc – Governance & Audit Committee – Monthly Statutory Officers Group meeting – Annual report on fraud prevention and detection arrangements at the Council	Impact 4 V Likelihood 1 = Medium 10 *Note:* *There is no change currently*	Develop fraud risk assessment action plan Counter fraud, whistleblowing, and anti-money laundering training has been rolled out Note: Each of these actions remain in progress with an

We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.	• Lack of relevant and timely training relating to preventing/detecting fraud (theft and corruption) • Lack of clarity in fraud/theft prevention roles and responsibilities • Anti-fraud culture not bought into • Poorly maintained systems and records Possible effects: • Investigation and rectification costs • Council reputation damage	– Appropriately trained staff, appropriate culture and awareness, segregation of duties, whistleblowing procedures and closure reports – Financial Regulations/Standing Orders, budget monitoring regime, financial management systems, indemnity insurance – National Fraud Initiative/data matching – External audit opinion explicitly addresses regularity – Fraud risk assessment undertaken – Monthly whistleblowing report presented to Statutory Officers – External investigation undertaken where necessary		update being provided at the Member Refresh Training in June 2026
9. Increasing pressure on the Housing Revenue Account (HRA) viability due to the challenges of providing and maintaining quality social housing provision within the district Corporate Priority **Housing** Risk Appetite **Minimal** *We shall seek a low degree of residual risk, in a well controlled environment*	Potential causes: • Level of demand (due to various social economic factors) for accommodation exceeds availability • Stock condition/condition of rental property in the market does not meet regulatory standards • Lack of engagement/effective strategy between the Council and housing providers to address needs etc • Insufficient resources available – financial, people (capacity and knowledge) to allocate to addressing needs as well as new housing requirements/regulations eg Awaabs Law, new decent homes standard etc	– Up to date and relevant policies and procedures communicated to staff including new policies/ procedures re damp and mould – Council housing stock condition survey – Council housing stock maintenance and repair programme – HRA reserves/funding – Council tenant engagement and surveying re experiences – Regular reporting to Housing Overview & Scrutiny Committee and Finance Committee on housing performance – Laison with wider agencies to address housing issues across the district – Local plan development kept under review – Council enforcement team assess private rental standards, developing improvement action plans with landlords	Impact 3 V Likelihood 4 = Very High 14 *Note:* *There is no change currently*	Track progress/on-going refresh of the HRA finance action plan that has been developed with up-dates to Members during the year

with limited benefit potential.	Possible effects: • Increased level of poverty • Increased demand for support from the Council (and wider agencies) and increasing costs – significant impact on the Housing Revenue Account could be expected • Stakeholder dissatisfaction/ reputation damage • Regulatory criticism/intervention including fines	– Housing KPI dashboards in place and reported monthly – Housing compliance monthly meeting with Chief Executive and Leader – A review of the HRA business plan revenue and capital outlook to ensure affordability (now part of a rolling review as a HRA key control) – External consultants engaged to provide check and challenge in connection with HRA business and action plans		
10. The implications and general uncertainty of Local Government Reorganisation on the Council <u>Corporate Priority</u> **Effective Council** <u>Risk Appetite</u> **Open (and in some cases Hungry)** *We are willing to explore a range of options and new solutions where we believe the potential benefits outweigh the residual risks and so we take informed risks.*	Potential causes: • General uncertainties and unknowns created by the proposed reorganisation of local government and the creation of single tier authorities eg timing, clarity, expectations, implications for members and officers re future role and employment, provision of services and contracts, partnerships and collaborations, funding, third tier etc • Lack of available resources (capacity and capability)/bandwidth at the Council • Insufficient finances available to support and fund LGR activities • Lack of Council leadership, direction, engagement and preparedness re LGR	– CMT continue monitoring of LGR proposals and information in the public domain via various sources eg MHCLG, LGA, DCN, CIPFA etc – Chief Executive communications/briefings to staff on LGR – LGR project team and project plan established – Cabinet receive regular LGR updates from CMT – Actions plans created in response to LGR issues emerging and progress monitored – Parish Council/Town Council briefings and engagement sessions – Regular briefings to elected Members – Working in partnership with North Kesteven District Council – Professionals commissioned to advise on specific service modelling – Data agreement in place across Greater Lincolnshire – Chief Executive monthly meeting with MHCLG Officers – Attend regular national briefings	Impact 4 V Likelihood 3 = Very High 15 *Note:* *There is no change currently*	Continuance of existing controls to ensure risk is being managed

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*In some cases we may take on a **Hungry** risk appetite where we are eager to be innovative and choose and work with a range of options based on maximising opportunities and beneficial outcomes, even if those activities carry a very high level of residual risk eg where SKDC can see advantages in driving and influencing the agenda in the best interests of the Council stakeholders. In doing so we recognise that failures are an opportunity for learning and improvement.*	• Inter-authority relationship challenges as Councils move towards LGR Possible effects: • LGR risks/opportunities go unmanaged • The Council loses its ability to influence outcomes that will best serve residents • Quality of business as usual is compromised • Recruitment and retention challenges • Poor Value for Money • Criticism of the Council/Members	– Governance timeline for decision making in place – Completion of LGR submission risk assessment and SWOT analysis (these will be kept under review) – Creation of "No Regrets" work plan to ensure that the Council is safe and legal on day of new unitary authority		
11. Not maximising the opportunities of Devolution Corporate Priority **Effective Council** Risk Appetite **Hungry** *We are eager to be innovative and choose and work with a range of options based on*	Potential causes: • General uncertainties re devolution – clarity, expectations, implications for members and officers re future role and employment, provision of services and contracts, partnerships and collaborations, funding, third tier etc • Lack of available resources (capacity and capability)/bandwidth at the Council to support devolution activities	– CMT continue monitoring of devolution proposals and information in the public domain via various sources eg MHCLG, LGA etc – Chief Executive communications/briefings to staff – Devolution project team established – Cabinet receive regular updates from CMT – Actions plans created in response to issues emerging and progress monitored – Chief Executive update from the combined Authority – District Joint Committee established – Leader represents South Kesteven on Committee – Nominations to sub committees and Mayoral Combined County Authority in place	Impact 3 V Likelihood 3 = High 12 *Note:* *There is no change currently*	Continuance of existing controls to ensure risk is being managed

maximising opportunities and beneficial outcomes, even if those activities carry a very high level of residual risk eg where SKDC can see advantages in driving and influencing the agenda in the best interests of the Council stakeholders. In doing so we recognise that failures are an opportunity for learning and improvement.	• Insufficient finances available to support and fund devolution activities • Lack of visible communications and engagement by the GLCCA with the Council Possible effects: • Devolution risks/opportunities go unmanaged • The Council loses its ability to influence outcomes that will best serve residents • Quality of business as usual is compromised • Recruitment and retention challenges • Poor VFM • Criticism of the Council/members	– Completion of devolution submission risk assessment and SWOT analysis (these will be kept under review)		
12. NEW RISK: Artificial Intelligence (AI) governance lag The rapid emergence and adoption of Artificial Intelligence (AI) technologies presents a significant disruptive risk to the Council. Without robust governance, policies, and controls, the use of AI—particularly unsanctioned tools—could	Potential causes: • Absence of policy and accountability regards AI • Limited understanding at senior levels of AI capabilities and risks • Staff independently using publicly available AI platforms (eg generative AI tools) without approval • Entry of personal, sensitive, or commercially confidential information into external AI	**NOTE:** The controls and enablers are in development – Senior responsible officer for AI – Data Governance meeting for oversight purposes as the AI governance arrangements develop – IT faculty can monitor use of AI tools by staff through checks performed	Impact 3 V Likelihood 4 = Very High 14 This is a new risk	Development and communication of a Council-wide AI governance framework, including relevant tactical action plans, for purposes of managing and making legitimate use of AI. As part of this, by example, certain software incorporating AI is being is being trialled by Executive Assistants

lead to breaches of data protection legislation, loss of confidential or personal data, poor decision-making, and erosion of public trust . Equally, external stakeholders are able to use AI for purposes of enquiry creation and questioning of the Council reports and publications which can increase the demands on Council staff and resources in providing responses within given timelines. Conversely without appropriate and effective AI governance arrangements in place the Council could be disadvantaged in its use of AI for the purpose of more efficient service delivery. <u>Corporate Priority</u> **Effective Council** <u>Risk Appetite</u> **Cautious**	systems without appropriate controls • Lack of clarity over data ownership, storage location, and reuse by AI providers • Lack of technical capability to evaluate AI risks and outputs • Stakeholder/public use of AI for purposes of undermining the Council eg disproportionate levels of enquiries/questions, deep fake etc Possible effects: • Increased vulnerability to cyber and information security incidents eg data breaches, ransomware etc • Loss of public trust and negative media attention • Poor-quality or biased AI outputs leading to flawed decisions/legal challenge • Resource waste due to inefficient investment in AI tools without strategic coordination and/or responding to increased levels of external enquiry by stakeholders			and an AI training programme is being put in place.

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We are willing to accept some degree of residual risk where we have identified scope to achieve proportionate benefit – striking a balance between the two				

Risk Matrix

Impact		Likelihood 1: Unlikely	Likelihood 2: Possible	Likelihood 3: Likely	Likelihood 4: Certain
Critical None or very low tolerance to the risk	4	10 Medium (2) (3) (8)	13 High (1)	15 Very High (10)	16 Very High
Major Some tolerance to the risk	3	6 Medium	9 High (4) (5) (7)	12 High (11)	14 Very High (9) (12)
Moderate Risk can be tolerated in most cases	2	3 Low	5 Medium (6)	8 High	11 High
Minor Risk can be tolerated	1	1 Low	2 Low	4 Medium	7 Medium
		1	2	3	4
		Unlikely Low but not impossible <20%	Possible Fairly likely to occur 21% - 50%	Likely More likely to occur than not 51% - 80%	Certain Expected to occur in most circumstances >80%

Likelihood

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SOUTH KESTEVEN DISTRICT COUNCIL

Governance and Audit Committee

Thursday, 23 July 2026

Report of Councillor Philip Knowles, Cabinet Member for Corporate Governance and Licensing

Risk Management Annual Report 2025/26

Report Author

Tracey Elliott, Governance and Risk Officer

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Purpose of Report

In accordance with the Governance and Audit Committee's terms of reference, one of the key areas for the Committee is to monitor and review the risk management arrangements in place including the annual report for risk management activity for 2025/26.

Recommendations

The Committee is recommended approve the Risk Management Annual Report 2025/26.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All Wards

1. Implications

1.1 Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

1.2 There are no financial implications rising directly from this report.

Completed by: David Scott – Assistant Director of Finance and Deputy S151 Officer

Legal and Governance

1.3 Consideration of the Council's arrangements for risk management is a key component of the role of the Governance and Audit Committee and demonstrates effective governance.

Completed by: James Welbourn, Democratic Services Manager

Risk Management

1.4 Effective risk management is critical to ensure the Council maintains its services, progresses towards achieving its corporate objectives, and provides assurance it is operating on sound corporate governance principles.

Completed by: Tracey Elliott – Governance & Risk Officer

2. Background to the Report

2.1 In accordance with The Accounts and Audit (Amended) Regulations 2015, part of an internal control framework includes effective arrangements for the management of risk. A public service organisation must identify, analyse and prioritise risks, as well as manage and control risks in a cost-effective manner to maximise the quality and efficiency of its service provision and protect its reputation.

2.2 One of the key terms of reference of the Committee is to monitor and review the risk management arrangements in place and the activities that are being undertaken to assess the effectiveness of those arrangements. In accordance with Governance and Audit Committee's workplan, the Strategic Risk Register is now presented to Committee twice a year for review.

3. Strategic Risks

3.1 The Strategic Risk Register has been subject to regular review with Corporate Management Team facilitated by RSM UK Consulting.

3.2 During 2025/26, the Committee has reviewed the Strategic Risk Register at the meetings on 24 September 2025 and 21 January 2026.

3.3 The current Strategic Risk Register will be presented by RSM UK Consulting to Governance and Audit Committee as a separate agenda item at this meeting.

4. Service Risks

4.1 Heads of Service/Managers, as part of the completion of their service plans, were asked to identify their current service risks. These were reviewed to identify if there were any trends or if further consideration was needed in respect of any risks that may need to be included in the Strategic Risk Register if appropriate.

4.2 Corporate Management Team, as part of the regular review of the Strategic Risk Register, are mindful of the service risks within their areas and will escalate these if necessary.

5. Risk Management Framework

5.1 The current Risk Management Framework 2025-27 was approved by Governance and Audit Committee on 22 January 2025 to ensure that it remained fit for purpose and reflective of the current arrangements and operating environment of the Council. The Risk Management Framework is due for review early 2027.

6. Annual Assurance Statement

6.1 Officers of the Senior Team produced an Annual Assurance Statement for 2025/26 which assessed the effectiveness of the key control environment within their areas of responsibility.

6.2 Management assurance is a key assurance mechanism on which the Council seeks to obtain visibility over. The Council recognise that management may not be able to provide a positive assurance in all cases and would prefer a conclusion to be reached that is objective and honest with a view to then addressing any areas of concern in the future as may be required.

6.3 Senior Team were asked to agree, or otherwise, to various statements based on their knowledge and understanding across seven core areas of assurance:

- Probity and Regulatory

- Procurement
- Governance
- Human Resources
- Health and Safety
- IT and Data Management
- Business Continuity

6.4 The overall assurance level revealed that managers ‘Fully Agreed’ with 87% of the statements on assurance with the remainder being 10% ‘Partially Agreed’; 1% ‘Not Agreed’ and 2% ‘Don’t Know’.

6.5 Themes for improvement were identified for Governance, Health and Safety, and Business Continuity.

6.6 The responses were reported to Statutory Officers Group for review. Actions arising from the completion of the Assurance Statement have been captured and will be monitored during 2026/27.

6.7 The output of the Annual Assurance Statement exercise has been captured in the Council’s Annual Governance Statement 2025/26.

7. Training

7.1 Governance and Audit Committee received risk management training as part of their annual refresher training for this committee.

7.2 Risk management elearning awareness training has been identified and is being customised to reflect the Council’s approach to risk management. The elearning will be rolled out to officers in the autumn.

7.3 The Council’s Insurance Officer provided training sessions during the year which included:

- Motor accident claims refresher training for Waste, Streetscene, and Housing Repairs – this included the importance of timely reporting of accidents to the Council’s insurer to help minimise the financial impact to the Council. The session also included raising the awareness of addressing driver behaviour to reduce the likelihood of further incidents/accidents

- Property loss training for Property and Housing – this session was held with the Council’s insurer and nominated loss adjuster to raise awareness of the process that should be followed in the event of a property loss eg a house fire, thereby managing the financial impact of such losses

8. Action Plan 2026/27

Action	Timeline
Strategic Risks	
1. Keep under review the strategic risks and update the Strategic Risk Register accordingly	Ongoing
2. Review of emerging risk and update of the Council's Emerging Risk Radar	Quarter 3
3. Assessment of Strategic Risk controls effectiveness	Quarter 4
Service Risks	
4. Review the service risk process ahead of completion of service plans	Quarter 3
Annual Assurance Statement	
5. Review of the process and assurance areas to ensure it remains fit for purpose	Quarter 3
Risk Management Group	
6. Re-establish Risk Management Group as part of Senior Team Meeting	Quarter 2
Risk Management elearning	
7. Roll out elearning to officers	Quarter 3

9. Key Considerations

9.1 The Committee should keep under review the risk management activity and any further steps identified.

10. Reasons for the Recommendations

10.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (xii) approve the annual report on risk management activity and consider the effectiveness of the Council's overall arrangements for managing risk.

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Governance and Audit Committee Work Plan 2026-27

Item	Current Issues/Status	Outcome Sought
7 September 2026		
Amendments to the Constitution	For the committee to consider the outcome of the Monitoring Officer's Constitutional Review	To seek the committee's comments, input, and ultimately, approval of constitutional review and recommend any changes to Full Council for approval.
29 September 2026		
Housing Benefit Subsidy Claim 2024/25	To provide the outcome of the Housing Benefit (Subsidy) Assurance Process for 2024/25	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Internal Audit Follow Up Report	Update from the Council's Internal Auditors in respect of progress made against the implementation of actions	To review and note the contents of the report
Health and Safety Annual Report 2025/26	Annual report of H&S activities undertaken during the year	To review and note the contents of the report
Ombudsman Annual Report 2025/26	Annual report of complaints received and decisions made from the Local Government Ombudsman Letter	To review and note the contents of the report
Stock Management Progress Report	To provide an update on the actions arising from the stock management audit.	To review and note the contents of the report

November 2026		
External Audit Annual Governance Report	Key findings arising from the statutory audit of the Council	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council’s Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Corporate Plan 2024-27: Key Performance Indicators Report	To present the Council’s performance against the Corporate Plan 2024-27 KPIs	To review and note the contents of the report
Strategic Risk Register	Strategic Risk Register is presented to the Committee every four months	To review and approve the Strategic Risk Register
Safeguarding Annual Report 2025/26	Annual report of safeguarding	To review and note the contents of the report
Treasury Management Activity Updates Q2	Update on treasury management activities during the financial year for the Second Quarter	To review and note the contents of the report
Counter Fraud Annual Report 2025/26	Annual report of counter fraud activities undertaken during the year	To review and approve the contents of the report
Counter Fraud, Bribery, and Corruption Strategy 2026-28	Counter Fraud, Bribery, and Corruption Strategy 2026-28	To review and approve the Counter Fraud, Bribery, and Corruption Strategy 2026-28
Anti Money Laundering Policy 2026-28	Anti Money Laundering Policy 2026-28	To review and approve the Anti Money Laundering Policy 2026-28

January 2027		
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Indicative Internal Audit Plan 2027/28	Internal Audit to present the indicative Internal Audit Plan for 2027/28	To review and approve the indicative Internal Audit Plan for 2027/28
Treasury Management Strategy 2027/28	Council's indicative Treasury Management Strategy for 2027/28	To review and approve the indicative Treasury Management Strategy for 2027/28
Statement of Accounts 2025/26	To be approved each year by the statutory deadline	To approve the 2025/26 Statement of Accounts and their publication on the Council's website
Annual Governance Statement 2025/26	To consider the Draft Annual Governance Statement for 2025/26	To review and approve the Draft Annual Governance Statement 2025/26

March 2027		
Annual Report on Grants and Returns	External Audit's report on grants and returns for the year	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Internal Audit Follow Up Report	Update from the Council's Internal Auditors in respect of progress made against the implementation of actions	To review and note the contents of the report
Indicative Internal Audit Plan 2027/28	Internal Audit to present the indicative Internal Audit Plan for 2027/28	To review and note the contents of the report
Statement of Accounting Policies	Annual report prior to the preparation of the Statement of Accounts to ensure that the policies are up to date and in line with the CIPFA Code of Practice	To consider approving the Statement of Accounting Policies
Treasury Management Report Quarter 3 Report 2026/27	Update on Treasury Management activities for the third quarter of 2026/27	To review and note the contents of the report
Strategic Risk Register	Strategic Risk Register is presented to the Committee every four months	To review and approve the Strategic Risk Register

Unscheduled		
Access to Information Working Group Update	Update on the meeting of the Access to Information Working Group	To review and note the contents of the report
Financial Regulations Implementation Update	An update following six months of the implementation of the Financial Regulations was requested at the 21 January 2026 meeting.	To review and note the contents of the report
Amendments to the Constitution	To consider a number of amendments to the Constitution.	Recommendation to Full Council
Items to be allocated as and when required		
Code of Conduct		
Code of Corporate Governance		
Constitutional Amendments		
Risk Management Framework – due in 2027/28		
Review of Subject Access Requests		
Committee Members meeting with auditors		

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