



# Auditor's Annual Report for South Kesteven District Council

Year-ended 31 March 2025

—

10<sup>th</sup> February 2026

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## Key Contacts

**Salma Younis**  
*Director*  
salma.younis@KPMG.co.uk

**Robert Fenton**  
*Senior Manager*  
robert.fenton@kpmg.co.uk

**Ellie Andrews**  
*Assistant Manager*  
ellie.andrews1@kpmg.co.uk

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Our audit report is made solely to the members of South Kesteven District Council ('the Council'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.



**01**

# **Executive Summary**

# Executive Summary

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## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of South Kesteven District Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the ‘Code of Audit Practice’) and is required to be published by the Council alongside the annual report and accounts.

### Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) (‘ISAs (UK)’) include the following:



**Financial Statements** - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 (‘the CIPFA Code’).



**Other information (such as the narrative statement)** - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



**Value for money** - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



**Other powers** - We may exercise other powers we have under the Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to any valid objections received from electors.

## Findings

We have set out below a summary of the conclusions that we provided in respect of our responsibilities.

Financial statements and other information	We issued an unmodified opinion on the Council’s financial statements on [Date]. This means that we believe the financial statements give a true and fair view of the financial performance and position of the Council.
Other information	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council
Value for money	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 11.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council’s consolidation return to HM Treasury in order to prepare the Whole of Government Accounts.  As the National Audit Office has not yet informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf.

# Executive Summary

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There are several actions we can take as part of our wider powers under the Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

**We have not applied to the courts.**

## Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however, should the Council provide us with a response, we will include it within this report.

**We have not raised any other recommendations.**

## Advisory notice

We may issue an advisory notice if we believe that the Council has, or is about to, incur an unlawful item of expenditure or has, or is about to, take a course of action which may result in a significant loss or deficiency.

If we issue an advisory notice, the Council is required to stop the course of action for 21 days, consider the notice at a general meeting, and then notify us of the action it intends to take and why.

**We have not issued an advisory notice this year.**

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Governance & Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we included any responses that the Council has given us in the Audit Plan presented at the June 2025 Governance and Audit Committee.

**02**

# **Audit of the financial statements**

# Audit of the financial statements

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## KPMG provides an independent opinion on whether the Council's financial statements:

- Give a true and fair view of the financial position of the Council as at 31 March 2025 and of its income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024/25.

We conduct our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. We also fulfil our ethical responsibilities under, and ensure we are independent of the Council in accordance with, UK ethical requirements including the FRC Ethical Standard. We are required to ensure that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

## Our audit opinion on the financial statements

We have issued an unqualified opinion on the Council financial statements on [Date].

The full audit report is included in the Council's Annual Report and Accounts for 2024/25 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements: Council

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The table below summarises the key financial statement audit risks that we identified as part of our risk assessment and how we responded to these through our audit.

Valuation of land and buildings	Valuation of investment properties
The carrying amount of revalued land and buildings differs materially from the fair value	The carrying amount of revalued investment property differs materially from the fair value
<b>Our procedures</b>	<b>Our procedures</b>
We critically assessed the independence, objectivity and expertise of the internal valuers;	We critically assessed the independence, objectivity and expertise of the internal valuers;
We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.	We inspected the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;	We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;	We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations and challenge of key assumptions;	We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations and challenge of key assumptions;
We discussed with our own valuation specialists to review the valuation report prepared by the Council’s valuers to confirm the appropriateness of the methodology utilised; and	We discussed with our own valuation specialists to review the valuation report prepared by the Council’s valuers to confirm the appropriateness of the methodology utilised; and
Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation	Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation
<b>Our findings</b>	<b>Our findings</b>
We completed the procedures as described and we did not identify any material misstatements relating to this area.	We completed the procedures as described and we did not identify any material misstatements relating to this area.



# Audit of the financial statements: Council

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## Management override of controls

Fraud risk related to unpredictable way management override of controls may occur

### Our procedures

We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.

We evaluated the selection and application of accounting policies.

In line with our methodology, we evaluated the design and implementation of controls over journal entries and post closing adjustments.

We assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.

We assessed the business rationale and the appropriateness of the accounting for significant transactions that are outside the Council's normal course of business or are otherwise unusual.

We analysed all journals through the year using data and analytics and focus our testing on those with a higher risk, such as unusual combinations with revenue and cash accounts.

### Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area.

## Valuation of post-retirement benefit obligations

An inappropriate amount is estimated and recorded for the defined benefit obligation

### Our procedures

We obtained an understanding of the pensions process for setting and approving the assumptions used in the DBO valuation;

We assessed Management's controls that ensure the appropriateness of actuarial assumptions for the preparation of the DBO accounting estimate;

We evaluated the competency, objectivity of the Fund actuaries and confirmed their qualifications and the basis for their calculations;

We performed inquiries of the Fund actuaries to assess the methodology and key assumptions used;

We challenged, with the support of KPMG pensions actuarial specialists, the key assumptions applied, the discount rate, inflation rate and mortality/life expectancy against externally derived data;

We vouched data provided by the audited entity to the Fund Administrator for use within the DBO accounting estimate calculation; and

We confirmed that the pensions disclosures adopted by the Council are in line with IAS19 and the SORP.

### Our findings

We completed the procedures as described and we did not identify any material misstatements relating to this area

**02**

# **Value for Money**

# Value for Money

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## Introduction

We are required to be satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or 'value for money'. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the Code of Audit Practice:



**Financial sustainability:** How the Council plans and manages its resources to ensure it can continue to deliver its services.



**Governance:** How the Council ensures that it makes informed decisions and properly manages its risks.



**Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We do not act as a substitute for the Council's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. We are also not required to consider whether all aspects of the Council's arrangements are operating effectively, or whether the Council has achieved value for money during the year.

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor's Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council.

## Summary of findings

Our work in relation to value for money is complete. However, we may make some minor changes to the commentary prior to issuing the final version of this report.

	Financial sustainability		Governance		Improving economy, efficiency and effectiveness	
<b>Commentary page reference</b>	13		15		18	
<b>Identified risks of significant weakness?</b>	x	No	✓	Yes	x	No
<b>Actual significant weakness identified?</b>	x	No	x	No	x	No
<b>2023-24 Findings</b>	No significant weakness identified		No significant weakness identified		No significant weakness identified	
<b>Direction of travel</b>	↔		↔		↔	

# Value for Money

## National context

We use issues affecting Councils nationally to set the scene for our work. We assess if the issues below apply to this Council.

### Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

### Housing

Landlords, including Councils, are required to take action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made. The Regulator of Social Housing has also raised frequent concerns regarding the ability of Councils to comply with their consumer standards, in particular around treating tenants fairly and ensuring homes are safe. This has increased the cost of compliance, whilst housing budgets remain under significant financial strain. At the same time, Councils are also experiencing significant financial pressure in temporary accommodation budgets, due to high demands on services and difficulty in obtaining suitable accommodation.

## Local context

South Kesteven District Council employs more than 500 staff and manages a combined revenue and capital budget exceeding £100m. The Council delivers services across four main areas: Corporate, Governance and Public Protection; Finance, Property and Waste; Growth and Culture; and Housing and Projects.

The Council met its 2024/25 financial plan without drawing on the Budget Stabilisation reserve, supported by higher investment income and lower-than-expected fuel and utility costs. The Council maintains a healthy level of general fund reserves, helping to safeguard its financial position throughout the year.

Looking ahead to 2025/26, the Council expects cost and demand pressures to continue. Nevertheless, it aims to achieve a balanced budget without using the Budget Stabilisation reserve but requiring savings of £1.1m across 2025/26 and 2026/27.

At the end of March 2025, the General Fund reported a surplus of £1.1m, with reserves totalling £26.7m. The Housing Revenue Account recorded a surplus of £5.8m, with reserves of £8.8m.

Under its Capital Plan (including HRA), the Council spent £36.5m against an adjusted budget of £41.6 million, resulting in an underspend of £5.1m, mainly due to project delays.

No adverse findings from inspectorates have been reported during the year.

The Council submitted its proposal for LGR in November which included support for two new council areas, resulting in North Kesteven, South Kesteven and South Holland combining as one council and East and West Lindsey, Boston and Lincoln in the other.

A public consultation was launched in February 2026 and will last until the 26<sup>th</sup> March 2026.

# Financial Sustainability

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## How the Council plans and manages its resources to ensure it can continue to deliver its services.

We have considered the following in our work:

- How the Council ensures that it identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them;
- How the Council plans to bridge its funding gaps and identifies achievable savings;
- How the Council plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities;
- How the Council ensures that its financial plan is consistent with other plans such as workforce, capital, investment, and other operational planning which may include working with other local public bodies as part of a wider system; and
- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

## 2024/25 Outturn

In February 2024, the Council approved a general fund revenue budget for the financial year 2024/25 of £19.744m, a balanced budget without planned use of the Budget Stabilisation Reserve.

Overall, there was an underspend on the General Fund of £1.1m. Key factors contributing to this positive outcome included additional planning fee (£303k) and car parking (£182k) income, underspends on fuel cost (£350k), as well as improved investment income (£444k) due to higher interest rates. At year-end, the Council's General Fund reserves remained above the stated prudent minimum.

We note that the Council has continued to underspend against its capital plan (excluding HRA) through 2024/25 due to phasing of the work, for example on the new depot project. The year end underspend was £3.424m. This has led to planned capital budget being carried forward into 2025/26. Capital performance has been reported to Cabinet and Finance and Economic Overview and Scrutiny committee through the year.

## Process of identifying cost pressures

A comprehensive timetable is established by both the Executive and Council to facilitate robust scrutiny and challenge throughout each stage. Initial budgets are developed at the service level, with budget holders estimating requirements based on their directorate knowledge and regular planning meetings. These proposals are then submitted to the Finance team, who reviews and challenges underlying assumptions. Finance conducts a detailed analysis of individual budget lines, examining trends over the previous three years and discussing these with budget holders to identify early pressures or potential savings.

Identified savings are incorporated into the financial plan. Discussions with the Finance team and service areas confirm that demographic and inflationary pressures for each directorate are considered during the initial budget preparation. Prior to finalising budgets, communications are held to enable review and challenge of assumptions. The Budget Joint Overview and Scrutiny Committee provides cross-party oversight and challenge of both the budget and its proposals.

For 2024/25, the Council's budget did not require any savings to be delivered. Savings plans are typically developed as part of the wider budget setting process and are subject to the same level of scrutiny, challenge, and approval as the overall budget. Throughout the year, actions are identified where financial performance risks arise within individual services. While savings are not reported separately, significant in-year savings—such as those resulting from the corporate restructure—are detailed in reports on budget variances. This reflects the effectiveness of the Council's financial management arrangements.

# Financial Sustainability

## 2025/26 planning

Within the medium-term financial plan, the Council has identified outstanding savings targets for 2025/26 and 2026/27. According to the Corporate Plan to 2028, a total savings requirement of £1.1m has been set. The objectives of the Corporate Plan, including major capital projects, are incorporated into the budget setting process to ensure alignment.

The Council's Risk Management Policy outlines a clear process and reporting structure for managing risks. Key risks to financial sustainability have been identified, including potential future deficits, ongoing inflationary pressures, and the need for borrowing to fund capital projects. Mitigating actions include regular monitoring of overspends and sensitivity analysis to assess worst-case inflation scenarios. The Council also continues to develop savings plans and is modelling the impact of any future borrowing.

## Leisure SK Ltd

The Council continues to provide support to its wholly owned subsidiary, Leisure SK Ltd. During 2023/24, LeisureSK operated at a deficit due to increased staffing costs, higher utility expenses, and issues related to irrecoverable VAT. For 2024/25, management prepared a budget that included an increased management fee of £450k from the Council. As a condition set by the Culture and Leisure Overview and Scrutiny Committee, LeisureSK was required to submit a recovery and mitigation plan to demonstrate that the management fee would be sufficient to maintain the company's cashflow. This plan was received and approved in September 2024.

In response to LeisureSK's financial difficulties, the Committee also reviewed options for a new contract and recommended to Cabinet that LeisureSK continue to deliver services under an agency model to help stabilise its finances. Cabinet approved this recommendation in September 2024, and the new contract took effect on 1 April 2025.

## Conclusion

We have not identified a significant weakness associated with the arrangements in place to secure financial sustainability.

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Key financial and performance metrics:	2024-25	2023-24
<b>Planned surplus/(deficit), excluding HRA</b>	£0k	£0k (using £1,534k reserves)
<b>Actual surplus/(deficit), excluding HRA</b>	£1.1m	£1.3m
<b>Planned HRA surplus</b>	£7.0m	£3.1m
<b>Actual HRA surplus/(deficit)</b>	£5.8m	£5.7m
<b>Usable reserves</b>	£66.9m	£75.9m
<b>Gross debt compared to the capital financing requirement</b>	0.67:1 (CFR £100m)	0.82:1 (CFR: £101m)
<b>Year-end borrowings</b>	£79.8m	£83m
<b>Year-end cash position</b>	£11.8m	£18.3m

*HRA: Housing Revenue Account, a ring-fenced fund relating to social housing*

*Gross debt compared to the capital financing requirement: Authorities are expected to have less debt than the capital financing requirement (i.e. a ratio of under 1 : 1) except in the short term, else borrowing levels may not be considered prudent.*

# Governance

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## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

## Risk Management

Risks are managed in accordance with the Council's Risk Management Strategy, which distinguishes between Strategic, Service, and Project levels. Each level is subject to regular review by register owners, the Corporate Management Team (CMT), Heads of Service, and the Governance and Risk Officer. Risks are assessed using a matrix that evaluates both likelihood and impact, resulting in a risk score assigned according to the strategy's guidance. Officer involvement through project boards provides additional challenge, and the Risk Management Group offers further support when needed.

The Strategic risk register is submitted to the Governance and Audit Committee twice annually for review. As of 31 March 2025, the register included 15 risks: 12 rated as high (almost certain/critical) and 3 as medium (probable/major). Actions to address risks are developed using the risk management framework and evaluated using the Treat, Tolerate, Transfer, Terminate matrix, depending on severity and likelihood. Ongoing monitoring is carried out by project management teams or boards. When the register is reported to the Governance and Audit Committee, members are invited to provide feedback, which is then shared with CMT and Cabinet. For all key decisions, committee reports are required to clearly outline the principal risks associated with the proposed actions

## Prevention and detection of fraud

The Council undertake several measures to prevent and detect fraud. There is a Counter Fraud policy and strategy which complies with the requirements of the Code, this sets out key actions for the Council to ensure compliance. We note a review is currently underway of the policy and strategy. The Council also receives assurance through the work of internal audit, and all staff are required to complete the e-learning on fraud which is held centrally. An annual fraud report is presented to the Governance and Audit Committee including the counter fraud action plan and fraud risk register.

## Budget Setting

The budget setting process is a rolling process as part of the medium-term financial plan, this usually starts in the autumn of the previous year. For 2025/26, the preparation of the budget began in October 2024 with draft budgets approved in January 2025. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process

The 2025/26 budget was approved by Council on 27 February 2025 which set out a three-year position detailing the funding challenges alongside the changes to the national funding arrangements. The most significant medium-term pressure reflected in the Medium-Term Financial Strategy is the anticipated business rate reset.



# Governance

**DRAFT**

## How the Council ensures that it makes informed decisions and properly manages its risks.

We have considered the following in our work:

- how the Council monitors and assesses risk and how the body gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud;
- how the Council approaches and carries out its annual budget setting process;
- how the Council ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information (including non-financial information where appropriate); supports its statutory financial reporting requirements; and ensures corrective action is taken where needed, including in relation to significant partnerships;
- how the Council ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency; and
- how the Council monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of management or Board members' behaviour.

Financial performance is reported quarterly to the Finance and Economic Overview and Scrutiny Committee before being presented to Cabinet. Forecasts are developed collaboratively with budget holders, using year-to-date performance and commitments to inform projections. The Finance team meets with budget holders to agree forecast outturns, which are then confirmed with Directors and detailed in quarterly monitoring reports.

### Informed Decision making

We also reviewed key decisions made by the Council during the year to assess the effectiveness of governance arrangements. Decision-making is subject to discussion and scrutiny at the executive team level and relevant sub-committees, such as Governance and Audit and Overview and Scrutiny, followed by formal Council approval. All records of key decisions are available on the Council's website.

A notable decision during the year was the sale of land at St Martin's Park. Following options appraisal in 2023/24, the Council approved the sale to address the financial shortfall and in October 2024, sales contracts had been exchanged, committing developers to the scheme at prices agreed by the Council. As at 31 March 2025, landowners and developers were continuing to work through the next stage of the planning process for the individual part of the development and an overall scheme to deliver joint infrastructure works on the site.

The Council also made important decisions regarding the implementation of a new Finance system. Initially planned for April 2024, the rollout was postponed to April 2025 due to changes in key finance staff and the need for specialist support to reduce risks. It was considered safer to introduce the new system at the start of a financial year. The Council extended the licence for its existing system, with the additional cost included in the 2024/25 budget.

In February 2025, the Council further delayed the 'go live' date to July 2025, following additional changes in finance team personnel and to avoid higher costs from specialist support. This delay also allowed the finance team to better manage year-end close and accounts preparation. We will consider the project management and implementation of the new system as part of the VFM assessment in 2025/26.

The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 Statement of Accounts and accompanying information on or before 30 June 2025. The Authority missed this deadline and published unaudited 2024/25 Statement of Accounts on 7<sup>th</sup> October 2025. By not publishing the unaudited Statement of Accounts by the required deadline, the Authority has breached its laws and regulations. As a result, we identified a risk of significant weakness over governance on the Authority's Preparation and Publication of the Statement of Accounts. The authority also missed this deadline in the prior year.



# Governance

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There have been changes in senior finance staffing during 2024/25, including the departure of the Interim Deputy Director of Finance in February 2025, who was replaced by a permanent appointment. These changes, alongside the upgrade to the financial ledger system contributed to the delay. Whilst there are mitigating circumstances for the delay in 2024/25 accounts production, management must ensure appropriate arrangements are in place to ensure timely publication and preparation for the audit in 2025/26. This is particularly important as the audit backstop deadline for 2025/26 is January 2027, compared to February 2026 for 2024/25 audited accounts.

**Compliance with laws and regulations**

The Monitoring Officer oversees compliance with all relevant legal requirements. All Executive reports undergo mandatory consultation with the Chief Executive, Section 151 Officer, and Monitoring Officer, and, where necessary, are supported by Equality Impact Assessments. Management has confirmed that there were no breaches of legislation or regulatory standards resulting in investigations by any legal or regulatory body during the year.

We note the Monitoring Officer left in April 2025 with interim arrangements put in place for several months. Following a comprehensive recruitment exercise a permanent Monitoring Officer was appointed and approved by Council on 18<sup>th</sup> September 2025. We will consider this further in the VFM risk assessment for 2025/26.

The Council’s Code of Conduct sets out the values and expected behaviours for staff and Council members, as detailed in the Code of Conduct and Disciplinary Policy. This is communicated during recruitment and is accessible via the staff intranet. The policy also covers requirements for gifts, hospitality, and the register of interests. Additional policies are available on the Council’s website, along with the Constitution, which outlines committee terms of reference and key officer responsibilities.

During our review, we noted an increase in member complaints under the Code of Conduct policy in 2023/24. These complaints required initial investigation by officers, and in several cases, the Council engaged independent legal experts to complete investigations. In 2024/25, this led to additional legal costs of approximately £70k, and the high volume of complaints required significant senior officer time.

**Conclusion**

Whilst we identified a risk regarding the Council not meeting the draft accounts production deadline, we are satisfied this does not amount to a significant weakness in arrangements over governance at the Council.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Moderate Assurance	Adequate and Effective
Local Government Ombudsman findings	None	None
Housing Ombudsman findings	None	None

# Improving economy, efficiency and effectiveness

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## How the Council uses information about its costs and performance to improve the way it manages and delivers its services

We have considered the following in our work:

- how financial and performance information has been used to assess performance to identify areas for improvement;
- how the Council evaluates the services it provides to assess performance and identify areas for improvement;
- how the Council ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives; and
- where the Council commissions or procures services, how it assesses whether it is realising the expected benefits.

## Financial and performance monitoring

The Council reviews its corporate performance measures as part of the three-year Corporate Plan through a target setting process. The process is co-ordinated by the Corporate Management team, with input from all directorates. Target setting incorporates benchmarking, assessment of local conditions, and national indicators/reporting requirements.

The Council's performance framework is driven by the Corporate Plan priorities: Healthy & Strong Communities, Growth & Our economy and High Performing Council. We reviewed the quarter two performance report, which evidenced monitoring of actions split across the different Overview and Scrutiny Committees. The Finance and Economic committee had 20 actions. Of those actions with updates, 12 actions were on target and 2 were below target. The below target actions related to the delay in the implementation of the new finance system and ensuring all contract awards under £25k are fully compliant with procurement policy.

The Finance and Economic Overview and Scrutiny committee also reviews financial performance on a quarterly basis and this covers key services, helping to identify any services off target and what actions are being taken to address/mitigate the financial risks. Quarterly reports are also presented to the Cabinet.

Our review of the Social Housing Decarbonisation Fund internal audit report (moderate assurance rating) identified the need to strengthen arrangements for performance monitoring of KPIs and recording lessons learnt with the contractor. We are satisfied management have appropriate arrangements in place to respond to the recommendations identified.

We note that the Council takes part in national benchmarking exercises but does not routinely use benchmarking in reviewing performance. The Council does have processes in place to support it in using information about costs, through financial monitoring, and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Overview and Scrutiny Committee and Cabinet.

## Partnership working

The Council has a number of key partnerships to help deliver support and services, such as the Building Control Partnership with Newark and Sherwood District Council and Rushcliffe Borough Council, where a partnership agreement is in place and performance is monitored through this arrangement. The Council also has a collaboration agreement in place with Burghley Land Ltd in relation to the land at St Martin's park. There is a partnership policy that details the governance framework for partnership working and all partnerships are recorded in the partnerships register held by Governance team. Monitoring is performed via reporting through relevant Overview and Scrutiny committees.

# Improving economy, efficiency and effectiveness

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The Council engages with key stakeholders to help develop the Council as an organisation. There have been numerous consultation with the public around Community Governance in year and council tax and rate payers were consulted on proposed changes. In preparing the Council's Corporate Plan, residents are encouraged to comment on the Council's priorities, for example in relation to sustainability. Response rates are published in the plan and the 2024/25 narrative report to the accounts.

The Council has appropriate arrangements in place to deal with residents' complaints, Freedom Of Information requests, Subject Access Requests, data breaches and whistleblowing allegations. The Council also engages with other local partners such as Legal Services Lincolnshire, Lincolnshire Police, Lincolnshire County Council. We note there has been no outsourcing of services in year.

We note that in response to the Government White Paper on Local Government Reorganisation, the Council examined several options within its submission after working with neighbouring District Councils. The Council submitted its proposal in November 2025 which included support for two new council areas; with North Kesteven, South Kesteven and South Holland combining as one; and East and West Lindsey, Boston and Lincoln in the other. A public consultation was launched in February 2026 and will last until 26<sup>th</sup> March 2026, with a final decision expected by July.

## Conclusion

We have not identified a significant weakness associated with the Council's arrangements in relation to improving economy, efficiency and effectiveness.

# Significant Value for Money Risk

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## Governance on the Authority's Preparation and Publication of the Statement of Accounts

Risk that value for money arrangements may contain a significant weakness linked to Governance

### Significant Value for Money Risk

The Government introduced amendments to the Accounts and Audit Regulations which required the Authority to publish its unaudited 2024/25 Statement of Accounts and accompanying information on or before 30 June 2025. The Authority missed this deadline and published the unaudited 2024/25 Statement of Accounts on 7th October 2025.

By not publishing the unaudited Statement of Accounts by the required deadline, the Authority has breached a statutory requirement.

There is a risk management do not have appropriate arrangements in place to prepare and publish their accounts in line with the required timetable.

### Our response

We have inquired with management as to their preparedness for the 2025/26 audit cycle and suggested they produce a paper to outline the proposed timetable and any risks to this timetable. This is particularly important as the audit backstop deadline for 2025/26 accounts is January 2027, compared to February 2026 for 2024/25 audited accounts.

### Our findings

#### Findings

In May 2025, management confirmed there was a risk that it may not issue its statement of accounts by 30 June 2025. This was reported in our Audit Plan that was presented at the June 2025 Governance and Audit Committee. We are therefore satisfied this does constitute a significant weakness in arrangements over preparation and publication of the financial statements.

However, we recommend members are made aware of any risks, if any, to the timetable for 2025/26. This has been raised as a performance improvement observation.

#### Conclusion

Based on the findings above we have not identified any significant weaknesses in arrangement.



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