

Governance and Audit Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL



Tuesday, 16 July 2024 at 10.00 am
Council Chamber - South Kesteven House,
St. Peter's Hill, Grantham. NG31 6PZ

Committee Members: Councillor Tim Harrison (Chairman)
Councillor Helen Crawford (Vice-Chairman)

Councillor Bridget Ley, Councillor Charmaine Morgan, Councillor Rob Shorrock,
Councillor Peter Stephens, Councillor Paul Stokes, Councillor Mark Whittington and
Councillor Sue Woolley

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 19 June 2024** (Pages 3 - 13)
4. **Updates from previous meeting** (Page 15)
To consider updates on Actions agreed at the meeting held on 19
June 2024
5. **External Audit Plan and Strategy for the Year Ending 31
March 2024** (Pages 17 - 48)
To be presented by the Council's External Auditors, KPMG.
6. **Counter Fraud Annual Report 2023/24** (Pages 49 - 54)
One of the key areas for Governance and Audit Committee, as
part of its terms of reference, is to monitor and review the counter
fraud arrangements in place and the activities that are being
undertaken to mitigate those risks.

Published and dispatched by democracy@southkesteven.gov.uk on Monday, 8 July 2024.

☎ 01476 406080

Karen Bradford, Chief Executive

www.southkesteven.gov.uk

- 7. Counter Fraud Strategy 2024-26** (Pages 55 - 70)

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the counter fraud arrangements in place which includes approving the Counter Fraud, Bribery, and Corruption Strategy.
- 8. Whistleblowing Annual Report 2023/24** (Pages 71 - 79)

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the whistleblowing arrangements in place and action taken as a result of whistleblowing disclosures.
- 9. 2023/24 Statement of Accounts Audit Update** (Pages 81 - 84)

To update Governance and Audit Committee on progress with the closedown of the accounts for 2023/24.
- 10. Draft Annual Governance Statement 2023/24** (To Follow)

To provide Governance and Audit Committee an opportunity to review the Draft Annual Governance Statement 2023/24, attached at Appendix A, ahead of its inclusion within the Statement of Accounts.
- 11. Provisional Outturn Report 2023/24** (Pages 85 - 125)

This report provides Cabinet with the details of the Council's provisional outturn position for the financial year 2023/24. The report covers the following areas:

 - General Fund Revenue Budget
 - Housing Revenue Account Budget
 - Capital Programmes – General Fund and Housing Revenue Account
 - Reserves overview – General Fund and Housing Revenue Account
- 12. Proposed amendments to the Council's Constitution** (Pages 127 - 132)

This report provides the Governance and Audit Committee with an opportunity to consider proposed amendments to the Council's Constitution and make any recommendations to Full Council for approval.
- 13. Work Programme 2024-2025** (Pages 133 - 136)

To consider the Committee's Work Programme for 2024-2025.
- 14. Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

Meeting of the Governance and Audit Committee

Wednesday, 19 June 2024, 10.00
am



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present

Councillor Tim Harrison (Chairman)
Councillor Helen Crawford (Vice-Chairman)
Councillor Bridget Ley
Councillor Paul Stokes
Councillor Mark Whittington
Councillor Sue Woolley

Cabinet Members

Leader of the Council, Councillor Ashley Baxter
Cabinet Member for Corporate Governance and Licensing, Councillor Philip Knowles

Officers

Richard Wyles, Deputy Chief Executive, Section 151 Officer
Alison Hall-Wright, Director of Housing
Graham Watts, Assistant Director (Governance and Protection) and Monitoring Officer
Paul Sutton, Interim Head of Finance, Deputy 151 Officer
Tracey Elliot, Governance and Risk Officer
Debbie Roberts, Head of Performance, Projects and Climate Change
Charles James, Policy Officer
Lucy Bonshor, Democratic Officer

1. Apologies for absence

Apologies for absence were received from Councillors Rob Shorrocks and Councillor Peter Stephens. Councillor Charmaine Morgan had been ill and was not in attendance and sent her apologies after the meeting.

2. Disclosure of interests

No interests were disclosed.

3. Minutes of previous meetings

The Chairman informed the Committee that all three sets of minutes both public and exempt for 24 January 2024, 13 March 2024 and the extraordinary meeting on 26 April 2024 would be taken en-bloc. The minutes were proposed, seconded and **AGREED**.

4. Updates from previous meeting

All actions were complete other than the Strategic Risk Register item which was ongoing.

5. Internal Audit Annual Report 2023-2024

The Deputy Chief Executive, Section 151 Officer presented the report on behalf of RSM, the outgoing Internal Auditors who had sent their apologies as there were unable to attend. The report provided the annual internal audit opinion, based upon and limited to the work performed, on the overall adequacy and effectiveness of the Council's risk management, control and governance processes which the Committee needed to consider.

The Deputy Chief Executive, Section 151 Officer referred the Committee to page 12 (page 46 of the agenda pack) which listed some audits that had been undertaken, but had yet to be reported to the Committee and these were:

- Responsive Repairs
- Payroll
- Purchasing and Creditors
- Section 106 Agreements

Also follow up work that had been undertaken in respect of previous audits.

RSM's Head of Internal Audit's opinion for South Kesteven District Council was that the Council had an adequate and effective framework for risk management, governance and internal control.

Thirteen audits had been undertaken since RSM had taken over as the Council's Auditors since work started in October 2023 and they had delivered their audit plan and met all their own KPI targets. A follow up audit had taken place and progress had been made with previously agreed targets.

In respect of the five audits that had taken place since the last meeting of the Committee the following assurances had been given:

Responsive Repairs – Partial Assurance
Payroll – Reasonable Assurance
Purchasing and Creditors – Substantial Assurance
Section 106 Agreements – Reasonable Assurance

Also the follow up work had been given reasonable progress.

The recommendations and actions agreed had ranged from high to low and these would be progressed with the new internal auditors BDO who were present at the meeting. Details in respect of the five audits that had been undertaken since the last meeting were noted within the report.

A question was asked in respect of Cyber Security and its priority level to which the Deputy Chief Executive, Section 151 Officer responded that the Council had received a grant from central Government to accelerate a cybersecurity action plan. The plan had been delivered within the required timeframe and had received a high assurance level. The cybersecurity work that had been undertaken had received a “clean bill of health” from the Government following the implementation of the agreed action plan. There was currently one outstanding action and it was hoped that it would be completed before the end of July 2024.

Further questions were asked in respect of the audit on Debtors and Debt Recovery and concerns regarding the consistency of controls not being adhered to.

The Deputy Chief Executive, Section 151 Officer referred to the last meeting of the Committee at which the debtors audit findings had been received. He reassured the Member that only five low recommendations had been given in respect of the debtor audit, no medium or high recommendations had been made. The debtor audit had been one of the audits undertaken by the previous auditors. The most recent debtor audit had taken place in March 2024 and a real step-change of improvements had taken place. Some of the previous problems had been due to limitations within the existing financial system and currently a new system was being progressed which would strengthen some of the weak areas highlighted. It had been accepted that there were some control limitations due to inherent weaknesses within the old system. Controls had been strengthened and when the new financial system came on line, the legacy issues would become irrelevant. It was accepted that the current scenario with debtors was not perfect, but this would improve once the new financial system was in place.

The Director of Housing then confirmed that there was a separation of duties between HR and Payroll. When the audit had been started three new starter forms couldn't be located and it was how these could be checked on the system when the information had not been retained. The details of new starters were inputted by HR and then passed on to Payroll who checked the information given. A further check was also carried out to make sure the information was correct. Going forward all paperwork would be retained after it had been entered within the system.

Reference was then made to management action 2, that related to the time that contract change forms had been signed, it was the sequencing of the approval, Manager sign off, to HR then to Payroll, rather than paperwork not being retained. She assured the Committee that there was a clear separation of duty between HR and Payroll.

A further comment was made in respect of Responsive Repairs and the partial assurance given. The Member felt that the same reports seemed to come through time and again and he wondered whether it was time that the system was reviewed by management to see if there was another way of doing things and a report presented to the Committee.

The Director of Housing reassured the Committee that all open responsive repair jobs were being reviewed. A number of the jobs were open as they had a suspended category and these were being looked at to see which jobs had been completed and could be closed down on the system. Customers were being contacted to see if work had been completed or not if it was not clear on the system. Appointments could be made and a plan put in place once all the outstanding repairs were known. The materials contract was monitored on a monthly basis by an officer at Turnpike and any anomalies were highlighted with relevant individuals. All actions were being worked through to ensure that they were all completed. Repairs performance would be part of the KPI suite that would go before the Housing Overview and Scrutiny Committee in the coming year.

It was stated that as the Director of Housing was new to the role that the Committee would wait on requesting a report in respect of Responsive Repairs.

The Deputy Chief Executive, Section 151 Officer requested that the Committee accepted the Internal Audit Annual Report 2023-24. It was proposed, seconded and **AGREED** to accept the Internal Audit Annual Report 2023-24.

Decision

That the Governance and Audit Committee accept the Internal Audit Annual Report 2023-24 from RSM.

6. Draft Internal Audit Annual Plan and Three Year Strategic Plan (2024-2027)

The new Head of Internal Audit, Gurpreet Dulay from BDO introduced himself to the Committee and gave a brief background about BDO which was the fifth largest accounting firm in the UK. Mr Dulay led a dedicated public sector internal audit team; he had worked within the public sector for 17 years which also included working with the NHS and Government Departments. He led a team that currently worked or advised 15+ Local Authorities and he assured the Committee that he had a depth of local government knowledge.

Mr Dulay then referred to the Internal Audit Plan and what BDO intended to deliver for the Council which would result in an Annual Internal Audit report and opinion for 2024/25 being presented to the Committee next year similar to the previous item. The proposed Audit Plan was included within the agenda pack and he highlighted key areas which had been discussed with the Corporate Management Team following a review of the Risk Registers and the audit work undertaken by RSM.

He referred the Committee to page 99 onward of the agenda pack which outlined the operational Internal Audit Plan for 2024/25. There were 200 days allocated to the plan with 15 flexible days that could be adapted as required. He stated that any outstanding recommendations that had been raised by the previous Internal Auditors would be taken on by BDO and followed up. Status reports would come back to the Committee detailing work carried out. The audits that had previously been carried out by RSM would be built on by BDO and would include audits on Council Tax, NNDR and business continuity. Audits would also be carried out on how the Council responds to threats such as the recent cyber attack that was carried out on the NHS, what arrangements were in place, what business continuity was in place. He then referred Members to the Charter that was appended to the report papers which was a requirement of Public Sector Internal Audit Standards. The charter formally defined what internal audit's mission, purpose, authority and responsibility was and it was issued each year.

A short discussion followed, with one Member stating he was very impressed with the document and how it had been presented. Further comments were made in respect of some aspects of the plan which were unclear and it was stated that perhaps the terminology used needed to be clarified. A further question was asked about whether the 15 flexible days would be enough to which the Internal Auditor responded that they understood the pressures within local government and they would work pragmatically to find a solution within the days given.

Members noted the report.

7. 2023-2024 Treasury Management Annual Report

The Deputy Chief Executive, Section 151 Officer presented the report which detailed the Treasury Management activity for the financial year 2023/24. The Committee had received and approved quarterly Treasury updates during the year. The Council had approved a annual Treasury Management Strategy on 1 March 2023 which was the framework within which the Council operated.

The Deputy Chief Executive, Section 151 Officer referred the Committee to the summary at page 123 of the report. The largest debt was within the Housing Revenue Account (HRA) when the Council had bought itself out of the subsidy system for the HRA and the debt was being repaid over the agreed period. There was also a change of movement between the long-term and short-term debt as shown in the summary.

There had been a significant improvement in the base rate which had improved the income achieved from budgeted investments. The provisional outturn was £1.6m, an additional £832K in excess of budget. This had been achieved through a combination of attaining higher interest rates and the placement of investments for longer durations.

The Council had also invested in the CCLA (Church, Charities and Local Authorities) Property Fund which invested in property on behalf of the Council. The value of the fund fluctuated in line with property market values but this was a long-term investment and currently stood at £2.529m as at 31 March 2024. The primary reason for investing in the fund was the quarterly dividend payment which provided a significantly higher return than other investments. The dividend payable for the year was £132,677.91 which equated to a 4.40% return on the initial investment of £3m.

The total amount of variable rate investments had decreased slightly between 31 March 2023 and 31 March 2024 and had reduced from £18.629m to £18.420. Members were referred to the graphs starting at the end of page 119 of the report which detailed the investments and duration.

The Council's treasury advisers, Link provided benchmarking of comparative information across all their clients which help the Council to understand how its investment portfolio was performing in relation to others so that there was minimal risk to the Council.

The Committee were drawn to paragraph 3.18 of the report and the table showing each quarter analysis of the Council's average rate of return compared to the other District Councils within the comparative group. The Council was slightly higher than its peers and this was down to each Council's individual decision making and how its money was invested.

During 2023/24 the Council had placed more emphasis on ESG (Environmental, Social and Governance) Investments and this would continue in 2024/25 to maintain at least 10% of the portfolio for this type of investment. The Council had received significant returns during 2023/24 which were above and beyond those expected which had helped to keep the financial reserves balanced.

The Deputy Chief Executive, Section 151 Officer was thanked for the report and it was proposed, seconded and **AGREED** to approve the annual report on Treasury Management activity for 2023/2024.

Decision

That the Governance and Audit Committee approves the annual report on Treasury Management activity for 2023/24.

8. Review of Treasury Management Activities - Environmental, Social and Governance Review

The Leader of the Council presented the report which concerned the findings of an independent review of Environmental, Social and Governance (ESG) treasury management activities as requested by the Governance and Audit Committee.

In introducing the report, the Leader stated that the Council had to be mindful of how it invested public money. The independent review clearly sets out the current position in relation to Environmental, Social and Governance factors when making investment decisions. The key findings of the report were shown at paragraph 3.2 and the issue of “green washing” and how this can be prevented. The Leader reminded the Committee that the contents of the appendix were exempt and he recommended the report to the Committee.

Reference was made to the Sustainalytics score within the report and what that actually meant.

The Interim Deputy Section 151 Officer stated that it was in relation to the metrics, security, liquidity and yield. It was set around the Treasury Management and the information contained on the pink papers was confidential to the Council. It was a developing area and changes to the CIPFA Treasury Management Code include addressing Environmental, Social and Governance (ESG) issues within the Council’s treasury management policies and statements.

The Chairman of the Committee responded to what Sustainalytics assesses companies for their level of involvement in controversies that have an impact on the environment or society and the associated business risks companies face from such involvement.

One Member stated that ESG was a rapidly moving area and requested that a report was brought back to the Committee on an annual basis.

It was proposed, seconded and **AGREED** to note and approve the findings of the independent review of the Council’s environmental, social and governance activities and to continue to review and assess the Council’s approach to ESG as part of the annual review of the Treasury Management Strategy Statement.

Decision

- 1. To note and approve the findings of the independent review of the Council’s environmental, social and governance activities.***
- 2. To continue to review and assess the Council’s approach to ESG as part of the annual review of the Treasury Management Strategy Statement.***

9. Whistleblowing Policy 2024 - 2026

The Deputy Chief Executive, Section 151 Officer presented the report on a revised Whistleblowing Policy 2024-2026. As part of the Committee's terms of reference, whistleblowing was one of the key areas of focus as it was an essential element of delivering good governance. The Whistleblowing Policy had been separated from the Counter Fraud Framework as whistleblowing disclosures would not always be in connection with fraud and would be more associated with the categories outlined at 2.4 of the report.

A flowchart had been included within the Policy which would help with the navigation with a whistleblowing process. New arrangements for reporting whistleblowing had come into effect from 1 April 2024 following the new reporting service that had been established. Statutory Officers that can be notified of whistleblowing concerns were the Chief Executive, the Monitoring Officer and the Section 151 Officer. Anonymous whistleblowing was not encouraged as incidents were difficult to investigate and brought to a conclusion. Page 5 of the new Policy dealt with how concerns could be raised. The new Whistleblowing Policy was part of a broader framework in respect of Counter Fraud and met all the statutory requirements.

The Chairman commented on remaining anonymous when making allegations in respect of whistleblowing to which the Deputy Chief Executive, Section 151 Officer replied that it was helpful if it was known who was making the allegation as it could provide further information that could reveal a bigger issue and allegations could be fully investigated. The success of anonymous allegations tended to be lower due to the lack of dialogue that was undertaken.

A question was also asked about investigating vexatious allegations.

Further comments were made in respect of the policy in particular the flow chart and adding the decision at the end as it seemed to "stop" before the end and the appeal process was not included. It was stated that the information was referred to within the green banner but it would be re looked at.

Members welcomed the new document and it was proposed, seconded and **AGREED** to note the contents of the report and approve the revised Whistleblowing Policy 2024-2026 as appended to the report.

Decision

That the Governance and Audit Committee approves the revised Whistleblowing Policy 2024-2026 as appended to the report.

10. Anti-Money Laundering Policy 2024 - 2026

The Deputy Chief Executive, Section 151 Officer presented the report which updated the Anti-Money Laundering Policy. The Anti-Money Laundering Policy outlined the Council's responsibilities to comply with relevant legislation. The Policy sat alongside the Council's Whistleblowing Policy, Counter Fraud Policy and the Council's Code of Conduct for Employees.

The Anti-Money Laundering Policy was last reviewed by the Committee on 26 January 2022. The new policy had been reviewed to reflect best practice and changes in legislation. The Proceeds of Crime Act 2002, Terrorism Act 2000 and The Money Laundering and Terrorist Financing (Amendment) Regulations 2019 placed obligations on the Council and its employees to establish internal procedures to prevent the use of their service for money laundering.

A question was asked in relation to cash handling.

It was proposed, seconded and **AGREED** to note the content of the report and to approve the revised Anti-Money Laundering Policy 2024-25.

Decision

That the Governance and Audit Committee notes the content of the report and approves the revised Anti-Money Laundering Policy 2024-25.

11. Corporate Plan 2024-27: Key Performance Indicators

The Cabinet Member for Governance and Licensing introduced the report which presented the proposed key performance indicators (KPI)s for the Corporate Plan 2024-27 to be monitored by the Governance and Audit Committee. The Corporate Plan 2024-27 had been approved in January 2024. A report on KPI's had been to all other Committee's including all Overview and Scrutiny Committees. Historically the Governance and Audit Committee had not had any KPI's, these had gone to the Finance OSC; however, it was felt that the KPI's appended to the report should come before the Governance and Audit Committee. Once the KPI's were approved they would become a regular part of the Committee's work plan and would be reported mid-year and at Quarter 4. The Cabinet and the Corporate Management Team received quarterly reports on KPI's.

The Committee would only review KPI's under its remit. An effective KPI suite must:

- Measure activity and performance
- Understand experiences and outcomes
- Use evidence to inform and drive improvement

The selected metrics should wholly be within the Council's control and they should be SMART, Specific, Measurable, Attainable, Relevant and Timely. The KPI's may change from time to time and they would be subject to an annual review and he asked Members to accept the KPI's for the Committee.

A discussion then followed in respect of the Member Development KPI, mandatory training and personal development plans. The Cabinet Member for Governance and Licensing stated that the Council was striving towards a Councillor Development Charter status and one of the criteria factors was that each Councillor had a Personal Development Plan in place. It was proposed that a Member Development Group would be convened to look at Member Development.

Some Members were in favour of Personal Development Plans and having training but it was noted that not everyone had capacity within their busy lives to attend either in person training or hybrid training

Further discussion followed in respect of having 100% training targets and whether or not these were meaningful, would positive or negative feedback be more helpful. It was felt by some Members that the quality of the trainer had an impact on Member Development/Training sessions and also attendance figures, also consistency in the training material given.

Some Members felt that the training sessions were excellent and reference was made to the Governance and Audit training session.

More discussion followed in respect of mandatory training and the accreditation for charter status following which it was proposed, seconded and **AGREED** to:

- 1. Approve the key performance indicators appended to the report for review associated with the actions in the Corporate Plan 2024-27.***
- 2. Note that key performance indicators will be monitored throughout the year as determined by the Committee in agreeing its work programme.***
- 3. Note that the KPI suite will be reviewed and if necessary revised as part of the annual review process.***

12. Work Programme 2024/2025

There was nothing to add to the Work Programme.

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

The Chairman reminded the Committee that the next scheduled meeting was 17 July 2024.

14. Close of meeting

The meeting closed at 11:38am.

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Action Sheet

To provide members with an update on actions agreed at the 19 June 2024 meeting of the Governance and Audit Committee.

Min no.	Agenda Item	Action(s)	Assigned to	Comments/status	Deadline
78	Strategic Risk Register	To share the action list from the Corporate Information Governance Group (CIGG)	Graham Watts	COMPLETED – shared on 12 June by the Monitoring Officer	June 2024

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South Kesteven District Council

DRAFT - Report to the Governance and Audit Committee

External Audit Plan & Strategy for the year ending
31 March 2024

July 2024

Introduction

To the Audit Committee
of South Kesteven District Council

We are pleased to have the opportunity to meet with you on 16 July 2024 to discuss our audit of the financial statements of South Kesteven District Council for the year ending 31 March 2024.

We have been appointed as your auditors by Public Sector Audit Appointments Ltd. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO Code of Audit Practice. The NAO is consulting on a new Code of Audit Practice for 2023/24, therefore this plan will remain draft until the finalisation of that Code.

This report outlines our risk assessment and planned audit approach. Our planning activities are still ongoing and we will communicate any significant changes to the planned audit approach.

We provide this report to you in advance of the meeting to allow you sufficient time to consider the key matters and formulate your questions.

Contents	Page
Overview of planned scope including materiality	3
Significant risks and Other audit risks	6
Audit Risks and our audit approach including Going concern	7
Mandatory communications	14
Appendix	20

The engagement team

Salma Younis is the engagement partner on the audit. She has over 20 years experience in public sector audit.

Salma Younis shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include engagement manager John Blewett and in-charge Richard Yang with 7 years and 3 years of experience respectively.

Yours sincerely,

Salma Younis

Director - KPMG LLP

April 2024

How we deliver audit quality

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion. We consider risks to the quality of our audit in our engagement risk assessment and planning discussions.

We define 'audit quality' as being the outcome when audits are:

- Executed consistently, in line with the requirements and intent of applicable professional standards within a strong system of quality controls and
- All of our related activities are undertaken in an environment of the utmost level of objectivity, independence, ethics and integrity.

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner. The audit undertaken in the current year is dependent on the finalisation of the previous auditor's work over historical financial statements. We aim to complete all audit work no later than 2 days before audit signing

Restrictions on distribution

This report is intended solely for the information of those charged with governance of South Kesteven District Council and the report is provided on the basis that it should not be distributed to other parties; that it will not be quoted or referred to, in whole or in part, without our prior written consent; and that we accept no responsibility to any third party in relation to it.

Overview of planned scope including materiality

Our materiality levels

We determined materiality for the entity financial statements at a level which could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements. We used a benchmark of expenditure which we consider to be appropriate given the sector in which the entity operates, its ownership and financing structure, and the focus of users.

We considered qualitative factors such as stability of legislation and lack of shareholders when determining materiality for the financial statements as a whole.

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.07m / 65% of materiality driven by our expectations of normal level of undetected or uncorrected misstatements in the period.

We will report misstatements to the audit and governance committee including:

- Corrected and uncorrected audit misstatements above £82.5k.
- Errors and omissions in disclosure (Corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

Control environment

The impact of the control environment on our audit is reflected in our planned audit procedures. Our planned audit procedures reflect findings raised in the previous year and management’s response to those findings.

- our reliance on group-wide controls will be limited to our review of the consolidation process

Group Materiality

Entity	
Materiality for the financial statements as a whole	£1.65m (2% of expenditure £82m)
Procedure designed to detect individual errors at this level	£1.07m
Misstatements reported to the Governance and Audit Committee	£82.5k

Council Materiality
£1.6m
2% of entity expenditure £77m

Overview of planned scope including materiality (cont.)

Timing of our audit and communications

- We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:
- Kick-off meeting with management in November 2023 where we introduced our teams and outlined our audit approach;
- Catch up meetings with management to discuss how the planning and risk assessment work has progressed;
- Governance and Audit Committee meeting on 16 July 2024 where we present our final audit plan;
- Status meetings with management in July and August 2024 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in September 2024 where we discuss the auditor's report and any outstanding deliverables;
- Governance and Audit Committee meeting in (To be confirmed) where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings with the Committee Chair.

Using the work of others and areas requiring specialised skill

We outline below where, in our planned audit response to audit risks, we expect to use the work of others such as Internal Audit or require specialised skill/knowledge to perform planned audit procedures and evaluate results.

Others	Extent of planned involvement or use of work
KPMG Pensions Centre of Excellence	The pensions audit team will perform all planning, risk assessment and substantive procedures over the LGPS account balances. The KPMG actuary will review and assess the underlying assumptions within the entity's year-end actuarial report.
KPMG Real Estate Valuation Centre of Excellence	The valuations team will support our review of the assumptions and methodology used by the Valuer in the revaluation exercise.

Group audit scope

The table below details the group components and level of audit work necessary for giving the group audit opinion.

Group	Full audit / Audit of Balances
South Kesteven District Council (Parent)	Full audit
LeisureSK Limited	Group consolidation

Significant risks and Other audit risks

Our risk assessment draws upon our understanding of the applicable financial reporting framework, knowledge of the business, the sector and the wider economic environment in which the Council operates.

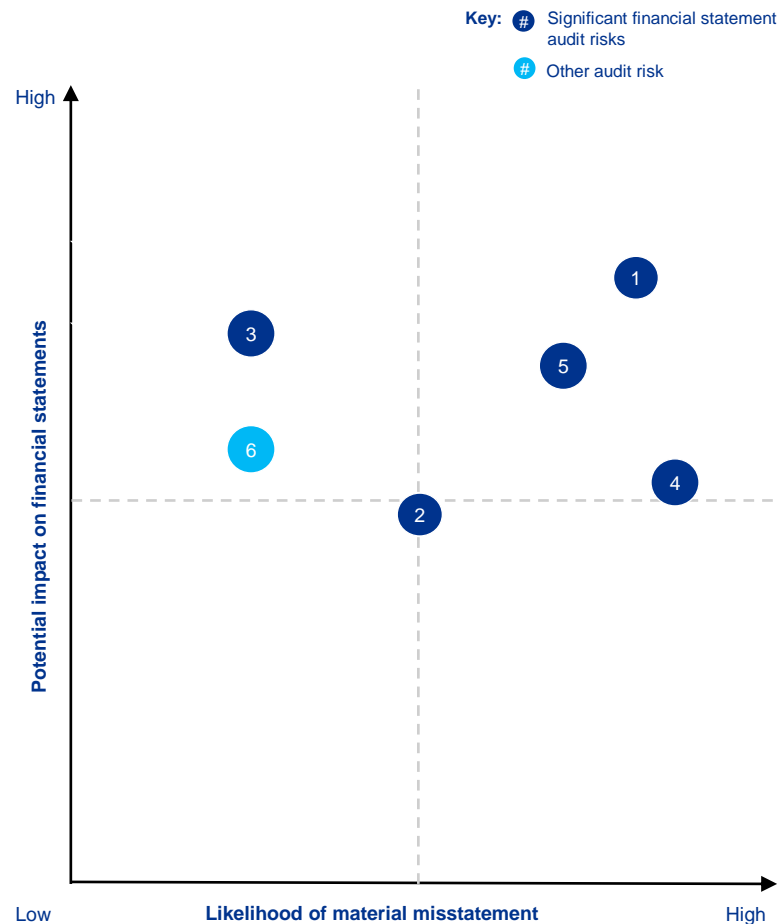
We also use our regular meetings with senior management to update our understanding and take input from sector audit teams and internal audit reports.

Significant risks

1. Valuation of land and buildings
2. Valuation of investment property
3. Management override of controls
4. Valuation of post retirement benefit obligations
5. Expenditure recognition

Other audit risks

6. Revenue expenditure is inappropriately recognised as capital expenditure



Value for money

We are required to provide commentary on the arrangements in place for ensuring Value for Money is achieved at the Council and report on this via our Auditor's Annual Report. This will be published on the Council's website and include a commentary on our view of the appropriateness of the Council's arrangements against each of the three specified domains of Value for Money: financial sustainability; governance; and improving economy, efficiency and effectiveness.

Audit risks and our audit approach (cont.)

1

Valuation of land and buildings

The carrying amount of revalued Land & Buildings differs materially from the fair value



Significant audit risk

The Council own Council Dwellings with a value of £325m as at 31 March 2023, Other Land and Buildings of £66m.

The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date. The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle, with land and buildings outside the full revaluation subject to a desktop review..

This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.

A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the valuer Cushman & Wakefield.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of Cushman & Wakefield, the valuers used in developing the valuation of the Council's properties at 31 March 2024;
- We will inspect 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 will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised;
- We will critically challenge the Council's judgements why the assets not revalued in year are still carried at fair value at 31 March 2024; and
- We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

2

Valuation of investment property

The carrying amount of revalued investment property differs materially from the fair value



Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at March 2023, the value of investment properties was £5m.

There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.



Planned response

We will perform the following procedures designed to specifically address the significant risk associated with the valuation:

- We will critically assess the independence, objectivity and expertise of the valuer used in developing the valuation of the Council's investment property at 31 March 2024;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code.
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuer to confirm the appropriateness of the methodology utilised; and
- We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

Audit risks and our audit approach (cont.)

3

Management override of controls(a)

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



Significant audit risk

- Professional standards require us to communicate the fraud risk from management override of controls as significant.
- Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.
- We have not identified any specific additional risks of management override relating to this audit.

Note: (a) Significant risk that professional standards require us to assess in all cases.



Planned response

Our audit methodology incorporates the risk of management override as a default significant risk.

- Assess accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicate a possible bias.
- Evaluate the selection and application of accounting policies.
- In line with our methodology, evaluate the design and implementation of controls over journal entries and post closing adjustments.
- Assess the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates.
- Assess the business rationale and the appropriateness of the accounting for significant transactions that are outside the entity's normal course of business, or are otherwise unusual.
- We will analyse all journals through the year and focus our testing on those with a higher risk, for example any journals posted by senior officers.

Audit risks and our audit approach (cont.)

4

Valuation of post retirement benefit obligations

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



Significant audit risk

- The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.
- The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.
- We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme
- Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.



Planned response

We will perform the following procedures:

- Understand the processes the Councils have in place to set the assumptions used in the valuation;
- Evaluate the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- Perform inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets;
- Agree the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- Evaluate the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability;
- Challenge, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;
- Confirm that the accounting treatment and entries applied by the Group are in line with IFRS and the CIPFA Code of Practice;
- Consider the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions; and
- Where applicable, assess the level of surplus that should be recognised by the entity.

Audit risks and our audit approach

5

Fraud risk from expenditure recognition

Liabilities and related expenses for purchases of goods or services are not completely identified and recorded



Significant audit risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered.

The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.

For the 2023/24 reporting period, management are reliant on utilising earmarked reserves to achieve a breakeven position and this creates a pressure on management to reduce expenditure in year.

We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024-25 to mitigate financial pressures.



Planned response

We will perform the following procedures in order to respond to the significant risk identified:

- We will evaluate the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded;
- We will inspect a sample of invoices of expenditure, in the period around 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;
- We will select a sample of year end accruals and inspect evidence of the actual amount paid after year end in order to assess whether the accruals have been accurately recorded;
- We will inspect journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence; and
- We will perform a retrospective review of prior year accruals in order to assess the completeness with which accruals had been recorded at 31 March 2023 and consider the impact on our assessment of the accruals at 31 March 2024. We will also compare the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure not accrued for as at 31 March 2024 have been done so appropriately.

Audit risks and our audit approach

Revenue – Rebuttal of Significant Risk

Professional standards require us to make a rebuttable presumption that the fraud risk from revenue recognition is a significant risk. Due to the nature of the revenue within the sector we have rebutted this significant risk. We have set out the rationale for the rebuttal of key types of income in the table below.

Description of Income	Nature of Income	Rationale for Rebuttal
Council tax	This is the income received from local residents paid in accordance with an annual bill based on the banding of the property concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of properties in the area and the fixed price that is approved annually based on a band D property: it is highly unlikely for there to be a material error in the population.
Business rates	Revenue received from local businesses paid in accordance with an annual demand based on the rateable value of the business concerned.	The income is highly predictable and is broadly known at the beginning of the year, due to the number of businesses in the area and the fixed amount that is approved annually: it is highly unlikely for there to be a material error in the population.
Fees and charges	Revenue recognised from receipt of fixed fee services, in line with the fees and charges schedules agreed and approved annually.	The income stream represents high volume, low value sales, with simple recognition. Fees and charges values are agreed annually. We do not deem there to be any incentive or opportunity to manipulate the income.
Grant income	Predictable income receipted primarily from central government, including for housing benefits.	Grant income at a local authority typically involves a small number of high value items and an immaterial residual population. These high value items frequently have simple recognition criteria and can be traced easily to third party documentation, most often from central government source data. There is limited incentive or opportunity to manipulate these figures.

Audit risks and our audit approach

6

Revenue expenditure is inappropriately recognised as capital expenditure

Revenue expenditure is inappropriately recognised as capital expenditure



Other audit risk

Given the size of the Council's capital programme we have identified an Other Audit Risk regarding the revenue expenditure being inappropriately recognised as capital expenditure.



Planned response

We will perform the following procedures in order to respond to the Other audit risk identified:

- We will evaluate the design and implementation of controls for classifying expenditure as capital;
- We will review the capital programme for schemes which indicate they are of a revenue nature; and
- We will test capital expenditure incurred by the Council to ensure it is correctly capitalised.

Mandatory communications - additional reporting



Going concern

Under NAO guidance, including Practice Note 10 - A local authority's financial statements shall be prepared on a going concern basis; this is, the accounts should be prepared on the assumption that the functions of the authority will continue in operational existence for the foreseeable future. Transfers of services under combinations of public sector bodies (such as local government reorganization) do not negate the presumption of going concern.






However, financial sustainability is a core area of focus for our Value for Money opinion.

Additional reporting

Your audit is undertaken to comply with the Local Audit and Accountability Act 2014 which gives the NAO the responsibility to prepare an Audit Code (the Code), which places responsibilities in addition to those derived from audit standards on us. We also have responsibilities which come specifically from acting as a component auditor to the NAO. In considering these matters at the planning stage we indicate whether:

Work is completed throughout our audit and we can confirm the matters are progressing satisfactorily 	We have identified issues that we may need to report 	Work is completed at a later stage of our audit so we have nothing to report 
--	--	--

We have summarised the status of all these various requirements at the time of planning our audit below and will update you as our work progresses:

Type	Status	Response
Our declaration of independence		No matters to report. The engagement team and others in the firm, as appropriate, have complied with relevant ethical requirements regarding independence.
Issue a report in the public interest		We are required to consider if we should issue a public interest report on any matters which come to our attention during the audit. We have not identified any such matters to date.
Provide a statement to the NAO on your consolidation schedule		This "Whole of Government Accounts" requirement is fulfilled when we complete any work required of us by the NAO to assist their audit of the consolidated accounts of DLUHC.
Provide a summary of risks of significant weakness in arrangements to provide value for money		We are required to report significant weaknesses in arrangements. Work to be completed at a later stage.
Certify the audit as complete		We are required to certify the audit as complete when we have fulfilled all of our responsibilities relating to the accounts and use of resources as well as those other matters highlighted above.

Mandatory communications

Type	Statements
Management's responsibilities (and, where appropriate, those charged with governance)	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the entity.</p>
Auditor's responsibilities	Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.
Auditor's responsibilities – Fraud	This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.
Auditor's responsibilities – Other information	Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.
Independence	Our independence confirmation at page 24 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.

South Kesteven District Council

DRAFT - Value for money risk assessment

Our approach

Year ended 31 March 2024

April 2024

Value for money

For 2023/24 our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.

Our responsibility to conclude on significant weaknesses in value for money arrangements is unchanged.

The main output remains a narrative on each of the three domains, summarising the work performed, any significant weaknesses and any recommendations for improvement.

We have set out the key methodology and reporting requirements on this slide and provided an overview of the process and reporting on the following page.

Risk assessment processes

Our responsibility remains to assess whether there are any significant weaknesses in the Council's arrangements to secure value for money. Our risk assessment will continue to consider whether there are any significant risks that the Council does not have appropriate arrangements in place.

In undertaking our risk assessment we will be required to obtain an understanding of the key processes the Council has in place to ensure this, including financial management, risk management and partnership working arrangements. We will complete this through review of the Council's documentation in these areas and performing inquiries of management as well as reviewing reports, such as internal audit assessments.

Reporting

As with the prior year our approach to value for money reporting aligns to the NAO guidance and includes:

- A summary of our commentary on the arrangements in place against each of the three value for money criteria, setting out our view of the arrangements in place compared to industry standards;
- A summary of any further work undertaken against identified significant risks and the findings from this work; and
- Recommendations raised as a result of any significant weaknesses identified and follow up of previous recommendations.

The Council will be required to publish the commentary on its website at the same time as publishing its annual report online.

Financial sustainability

How the body manages its resources to ensure it can continue to deliver its services.

Governance

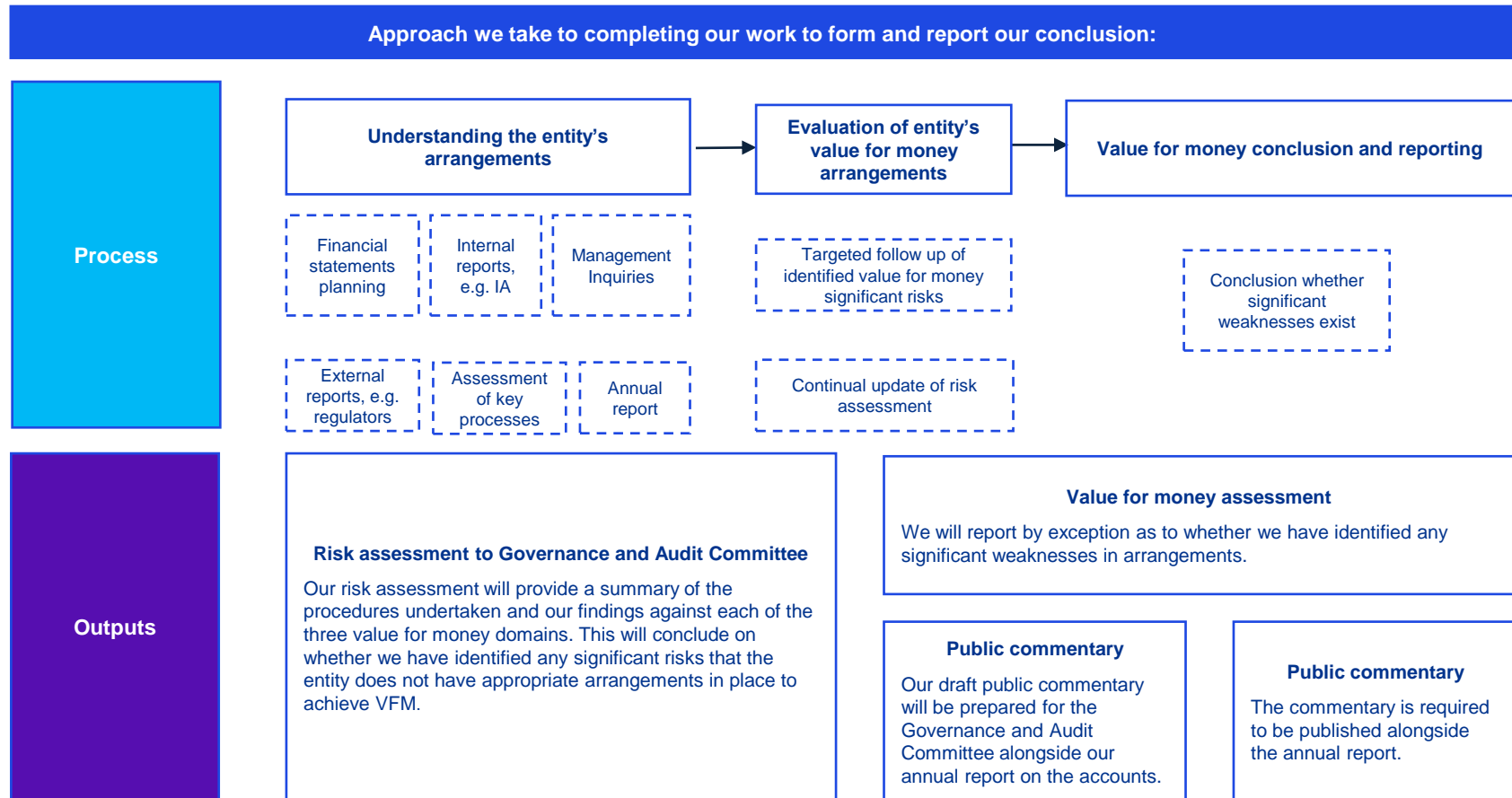
How the body ensures that it makes informed decisions and properly manages its risks.

Improving economy, efficiency and effectiveness

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

Value for money

34



Summary of risk assessment

Summary of risk assessment

We have encountered delays in obtaining management's Value for Money self-assessment questionnaire and supporting evidence. We have therefore not been able to progress our risk assessment as originally planned.

We have not identified any risks of significant weaknesses from our initial work and management inquiries to date. Our risk assessment is continuing and we will, subject to getting the fully completed management questionnaire and supporting evidence, provide a detailed risk assessment at the next Governance and Audit Committee.

Appendix

	Page
A Audit team	21
B Audit cycle & timetable	22
C Fees	23
D Confirmation of independence	24
E KPMG's Audit quality framework	26
F ISA (UK) 315 Revised: Overview	27
G ISA (UK) 240 Revised: Summary of key changes	28
H FRC's Areas of Focus	29

Audit team and rotation

Your audit team has been drawn from our specialist local government audit department and is led by key members of staff who will be supported by auditors and specialists as necessary to complete our work. We also ensure that we consider rotation of your audit director and firm.

	Salma Younis is the director responsible for our audit. She will lead our audit work, attend the Governance and Audit Committee and be responsible for the opinions that we issue.		John Blewett is the manager responsible for our audit. He will co-ordinate our audit work, attend the Governance and Audit Committee and ensure we are co-ordinated across our accounts and value for money work.		Richard Yang is the in-charge responsible for our audit. He will be responsible for our on-site fieldwork. He will complete work on more complex section of the audit.
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To comply with professional standard we need to ensure that you appropriately rotate your external audit director. There are no other members of your team which we will need to consider this requirement for:



This will be Salma's first year as your engagement lead. She is required to rotate every five years, extendable to seven with PSAA approval.

Audit cycle & timetable

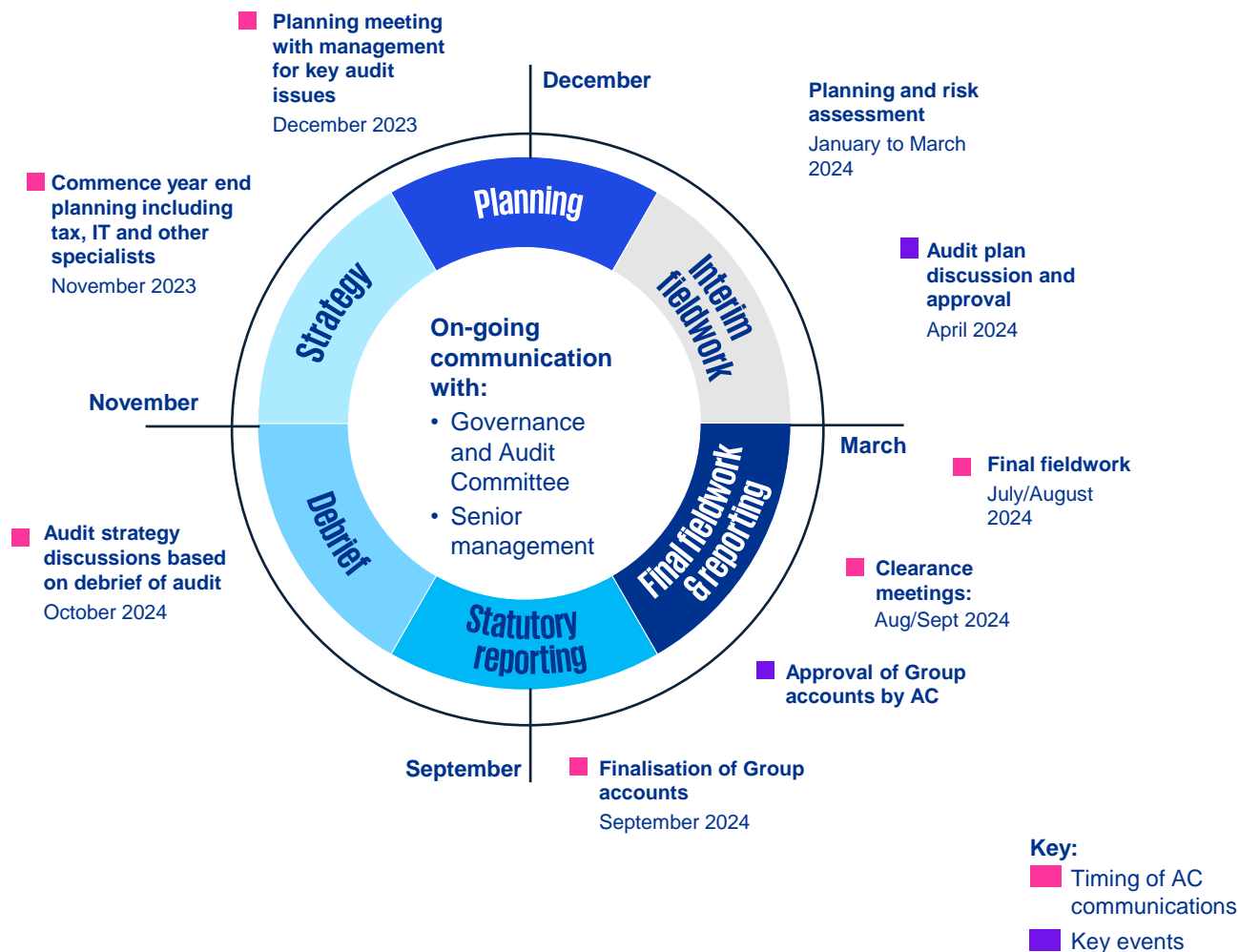
Our schedule Dec 2023 – Dec 2024

We have worked with management to generate our understanding of the processes and controls in place at the Council in its preparation of the Statement of Accounts.

We have agreed with management an indicative audit cycle and timetable that reflects our aim to sign our audit report by September 2024.

This being the first year of KPMG as auditor we have undertaken greater activities to understand the Council at the planning stage. This level of input may not be required in future years and may change our audit timings.

Given the large amount of consultation happening in regard to the scope and timing of local government this audit **schedule may be subject to change.**



Fees

Audit fee

Our fees for the year ending 31 March 2024 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2023/24 (£'000)	2022/23 (£'000)
Statutory audit	151	79
Grants and returns	-	36
ISA315r	TBC	-
ISA240	TBC	-
TOTAL	151	115

**fee charged by Grant Thornton LLP as per their 22/23 year-end report.*

As per PSAA's Scale Fees Consultation, the fees do not include new requirements of ISA315 revised (risk of material misstatement); or ISA 240 (auditor's responsibilities relating to fraud. The fees also assume no significant risks are identified as part of the Value for Money risk assessment – our work is ongoing in this area. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Billing arrangements

Fees will be billed in accordance with the milestone completion phasing that has been communicated by the PSAA.

Basis of fee information

Our fees are subject to the following assumptions:

- The entity's audit evidence files are completed to an appropriate standard (we will liaise with you separately on this);
- Draft statutory accounts are presented to us for audit subject to audit and tax adjustments;
- Supporting schedules to figures in the accounts are supplied;
- The entity's audit evidence files are completed to an appropriate standard (we will liaise with management separately on this);
- A trial balance together with reconciled control accounts are presented to us;
- All deadlines agreed with us are met;
- We find no weaknesses in controls that cause us to significantly extend procedures beyond those planned;
- Management will be available to us as necessary throughout the audit process; and
- There will be no changes in deadlines or reporting requirements.

We will provide a list of schedules to be prepared by management stating the due dates together with pro-formas as necessary.

Our ability to deliver the services outlined to the agreed timetable and fee will depend on these schedules being available on the due dates in the agreed form and content.

Any variations to the above plan will be subject to the PSAA fee variation process.

Confirmation of Independence

We confirm that, in our professional judgement, KPMG LLP is independent within the meaning of regulatory and professional requirements and that the objectivity of the Director and audit staff is not impaired.

To the Audit and Risk Committee members

Assessment of our objectivity and independence as auditor of [entity name]

Professional ethical standards require us to provide to you at the planning stage of the audit a written disclosure of relationships (including the provision of non-audit services) that bear on KPMG LLP's objectivity and independence, the threats to KPMG LLP's independence that these create, any safeguards that have been put in place and why they address such threats, together with any other information necessary to enable KPMG LLP's objectivity and independence to be assessed.

This letter is intended to comply with this requirement and facilitate a subsequent discussion with you on audit independence and addresses:

- General procedures to safeguard independence and objectivity;
- Independence and objectivity considerations relating to the provision of non-audit services; and
- Independence and objectivity considerations relating to other matters.

General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings. Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through:

- Instilling professional values.
- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

We are satisfied that our general procedures support our independence and objectivity.

Independence and objectivity considerations relating to the provision of non-audit services

Summary of non-audit services

There are no non-audit services applicable.

Confirmation of Independence (cont.)

Summary of fees

We have considered the fees charged by us to the Group and its affiliates for professional services provided by us during the reporting period.

Fee ratio

There are no plans to perform any non-audit services at this stage.

	2023/24
	£'000
Statutory audit	151
Other Assurance Services	0
Total Fees	151

Application of the FRC Ethical Standard 2019

The above standard became effective for the first period commencing on or after 15 March 2020, except for the restrictions on non-audit and additional services that became effective immediately at that date, subject to grandfathering provisions.

AGN 01 states that when the auditor provides non-audit services, the total fees for such services to the audited entity and its controlled entities in any one year should not exceed 70% of the total fee for all audit work carried out in respect of the audited entity and its controlled entities for that year.

We confirm that as at 15 March 2020 we were not providing any non-audit or additional services that required to be grandfathered.

Independence and objectivity considerations relating to other matters

There are no other matters that, in our professional judgment, bear on our independence which need to be disclosed to the Audit and Risk Committee.

Confirmation of audit independence

We confirm that as of the date of this letter, in our professional judgment, KPMG LLP is independent within the meaning of regulatory and professional requirements and the objectivity of the partner and audit staff is not impaired.

This report is intended solely for the information of the Audit and Risk Committee of the Group and should not be used for any other purposes.

We would be very happy to discuss the matters identified above (or any other matters relating to our objectivity and independence) should you wish to do so.

Yours faithfully

KPMG LLP

KPMG's Audit quality framework

Audit quality is at the core of everything we do at KPMG and we believe that it is not just about reaching the right opinion, but how we reach that opinion.

To ensure that every partner and employee concentrates on the fundamental skills and behaviours required to deliver an appropriate and independent opinion, we have developed our global Audit Quality Framework.

Responsibility for quality starts at the top through our governance structures as the UK Board is supported by the Audit Oversight Committee, and accountability is reinforced through the complete chain of command in all our teams.

■ Commitment to continuous improvement

- Comprehensive effective monitoring processes
- Significant investment in technology to achieve consistency and enhance audits
- Obtain feedback from key stakeholders
- Evaluate and appropriately respond to feedback and findings

■ Performance of effective & efficient audits

- Professional judgement and scepticism
- Direction, supervision and review
- Ongoing mentoring and on the job coaching, including the second line of defence model
- Critical assessment of audit evidence
- Appropriately supported and documented conclusions
- Insightful, open and honest two way communications

■ Commitment to technical excellence & quality service delivery

- Technical training and support
- Accreditation and licensing
- Access to specialist networks
- Consultation processes
- Business understanding and industry knowledge
- Capacity to deliver valued insights



■ Association with the right entities

- Select entities within risk tolerance
- Manage audit responses to risk
- Robust client and engagement acceptance and continuance processes
- Client portfolio management

■ Clear standards & robust audit tools

- KPMG Audit and Risk Management Manuals
- Audit technology tools, templates and guidance
- KPMG Clara incorporating monitoring capabilities at engagement level
- Independence policies

■ Recruitment, development & assignment of appropriately qualified personnel

- Recruitment, promotion, retention
- Development of core competencies, skills and personal qualities
- Recognition and reward for quality work
- Capacity and resource management
- Assignment of team members and specialists

ISA (UK) 315 Revised: Overview



Summary

In the prior period, ISA (UK) 315 Revised “Identifying and assessing the risks of material misstatement” was introduced and incorporated significant changes from the previous version of the ISA.

These were introduced to achieve a more rigorous risk identification and assessment process and thereby promote more specificity in the response to the identified risks. The revised ISA was effective for periods commencing on or after **15 December 2021**.

The revised standard expanded on concepts in the existing standards but also introduced new risk assessment process requirements – the changes had a significant impact on our audit methodology and therefore audit approach.

What impact did the revision have on audited entities?

With the changes in the environment, including financial reporting frameworks becoming more complex, technology being used to a greater extent and entities (and their governance structures) becoming more complicated, standard setters recognised that audits need to have a more robust and comprehensive risk identification and assessment mechanism.

The changes result in additional audit awareness and therefore clear and impactful communication to those charged with governance in relation to (i) promoting consistency in effective risk identification and assessment, (ii) modernising the standard by increasing the focus on IT, (iii) enhancing the standard's scalability through a principle based approach, and (iv) focusing auditor attention on exercising professional scepticism throughout risk assessment procedures.

Implementing year 1 findings into the subsequent audit plan

Entering the second year of the standard, the auditors will have demonstrated, and communicated their enhanced insight into their understanding of your wider control environment, notably within the area of IT.

In year 2 the audit team will apply their enhanced learning and insight into providing a targeted audit approach reflective of the specific scenarios of each entity's audit.

A key area of focus for the auditor will be understanding how the entity responded to the observations communicated to those charged with governance in the prior period.

Where an entity has responded to those observations a re-evaluation of the control environment will establish if the responses by entity management have been proportionate and successful in their implementation.

Where no response to the observations has been applied by entity, or the auditor deems the remediation has not been effective, the audit team will understand the context and respond with proportionate application of professional scepticism in planning and performance of the subsequent audit procedures.

What will this mean for our on-going audits?

To meet the on-going requirements of the standard, auditors will each year continue to focus on risk assessment process, including the detailed consideration of the IT environment.

Subsequent year auditor observations on whether entity actions to address any control observations are proportionate and have been successfully implemented will represent an on-going audit deliverable.

Each year the impact of the on-going standard on your audit will be dependent on a combination of prior period observations, changes in the entity control environment and developments during the period. This on-going focus is likely to result in the continuation of enhanced risk assessment procedures and appropriate involvement of technical specialists (particularly IT Audit professionals) in our audits which will, in turn, influence auditor remuneration.

ISA (UK) 240 Revised: changes embedded in our practices

Ongoing impact of the revisions to ISA (UK) 240

ISA (UK) 240 (revised May 2021, effective for periods commencing on or after 15 December 2021) The auditor's responsibilities relating to fraud in an audit of financial statements included revisions introduced to clarify the auditor's obligations with respect to fraud and enhance the quality of audit work performed in this area. These changes are embedded into our practices and we will continue to maintain an increased focus on applying professional scepticism in our audit approach and to plan and perform the audit in a manner that is not biased towards obtaining evidence that may be corroborative, or towards excluding evidence that may be contradictory.

We will communicate, unless prohibited by law or regulation, with those charged with governance any matters related to fraud that are, in our judgment, relevant to their responsibilities. In doing so, we will consider the matters, if any, to communicate regarding management's process for identifying and responding to the risks of fraud in the entity and our assessment of the risks of material misstatement due to fraud.

Area	Our approach following the revisions
Risk assessment procedures and related activities	<ol style="list-style-type: none">1) Increased focus on applying professional scepticism – the key areas affected are:<ul style="list-style-type: none">• the need for auditors not to bias their approach towards obtaining evidence that is corroborative in nature or excluding contradictory evidence;• remaining alert for indications of inauthenticity in documents and records, and• investigating inconsistent or implausible responses to inquiries performed.2) Requirements to perform inquiries with individuals at the entity are expanded to include, amongst others, those who deal with allegations of fraud.3) We will determine whether to involve technical specialists (including forensics) to aid in identifying and responding to risks of material misstatement due to fraud.
Internal discussions and challenge	We will have internal discussions among the audit team to identify and assess the risk of fraud in the audit, including determining the need for additional meetings to consider the findings from earlier stages of the audit and their impact on our assessment of the risk of fraud.

FRC's areas of focus



The FRC released their [Annual Review of Corporate Reporting 2021/22](#) in October 2022, along with a [summary of key matters](#) for the coming year, primarily targeted at CEOs, CFOs and audit and governance committee chairs. In addition, they released six thematic reviews during the year which should be considered when preparing financial reports.

The reports identify where the FRC believes companies should be improving their reporting. Below is a high level summary of the key topics. We encourage management and those charged with governance to read further on those areas which are significant to the entity.



Reporting in uncertain times

Last year's Annual Review of Corporate Reporting from the FRC was prepared in the context of the current heightened economic and geopolitical uncertainty. The challenges of the Covid-19 pandemic, Russia's invasion of Ukraine and slowing of global economies has led to inflationary pressure worldwide and rising interest rates.

This makes meaningful disclosure more important than ever, and the FRC has stressed the need for companies to move beyond simply complying with the minimum requirements of the relevant accounting and reporting frameworks. They expect companies to provide high-quality, decision-useful information for investors, with companies continually assessing evolving risks and ensuring these are clearly explained in annual reports.

The potential effects of uncertainty on recognition, measurement and disclosure are numerous, and companies will need to think carefully about the impacts of uncertainty, in particular inflation, on their reporting. The Annual Review gives a number of examples including:

Strategic report: the impact of inflation on the business model, changes to principal risks and uncertainties, and the impact of inflation on stakeholders.

Discount rates: inputs need to follow a consistent approach in incorporating the effects of inflation.

Material assumptions: where inflation assumptions represent a source of significant estimation uncertainty, the FRC expects companies to provide explanation of how these have been calculated and sensitivity disclosures if appropriate.

Pension schemes: explain the effect of uncertainty on investment strategy and associated risks.



Climate-related reporting

Climate-related reporting has advanced significantly this year as premium listed entities are required by the Listing Rules to provide disclosures consistent with the Taskforce on Climate-Related Disclosures (TCFD) recommendations. This follows the expansion of the Streamlined Energy and Carbon Reporting (SECR) rules last year, which require quoted companies and large unquoted companies and LLPs to provide emissions reporting.

Climate has therefore been an area of ongoing focus for the FRC, with a thematic reviews in both 2021 and 2022 on aspects of climate reporting. From reviews of TCFD disclosures in the year, the FRC has highlighted five areas of improvement for companies to consider going forwards:

Granularity and specificity: disclosures should be granular and specific both to the company and the individual disclosure requirement, including a clear link to financial planning.

Balance: discussion of climate-related risks and opportunities should be balanced, and companies should consider any technological dependencies.

Interlinkage with other narrative disclosures: companies should ensure clear links between TCFD disclosures with other narrative disclosures in the annual report.

Materiality: companies should clearly articulate how they have considered materiality in the context of their TCFD disclosures.

Connectivity between TCFD and financial statements disclosures: the FRC may challenge those that disclose significant climate risks or net zero transition plans in narrative reporting, but do not explain how this is taken into account in the financial statements.

FRC's areas of focus (cont.)

Cash flow statements

This continues to be a particular area of concern as it is a recurring source of errors identified by the FRC, with 15 companies restating their cash flow statements in the review period as a result of the FRC's enquiries.

Companies are encouraged to consider the guidance in the 2020 thematic review on this topic, and to ensure that robust pre-issuance reviews of the financial statements have been undertaken.

Cash flows must be classified as operating, investing or reporting in line with the requirements of the standard, and amounts reported should be consistent with disclosures elsewhere in the report and accounts including the elimination of non-cash transactions.

Several errors identified by the FRC related to the parent company cash flow statement, and it should be ensured that this statement also complies with the requirements of the standard.

Financial Instruments

Companies should ensure that disclosure is sufficient to enable users to evaluate the nature and extent of risks arising from financial instruments and the approach taken to risk management.

These disclosures should include the approach and assumptions used in the measurement of expected credit losses, and details of concentrations of risk. In times of economic uncertainty, disclosure of methods used to measure exposure to risks, and details of hedging arrangements put in place for interest rates or inflation are all the more important.

In addition, accounting policies should be provided for all material financing and hedging arrangements and any changes in these arrangements. Where companies have banking covenants, information about these should be provided (unless the likelihood of a breach is considered remote).

Income taxes

Where material deferred tax assets are recognised by historically loss-making entities, disclosures should explain the nature of the evidence supporting their recognition. In addition, any connected significant accounting judgements or sources of estimation uncertainty will also need to be disclosed.

On tax more generally, the FRC expects companies to ensure that tax-related disclosures are consistent throughout the annual report and accounts, and material reconciling items in the effective tax rate reconciliation are adequately explained.

For groups operating in several jurisdictions, effective tax reconciliations may be more meaningful if they aggregate reconciliations prepared using the domestic rate in each individual jurisdiction, with a weighted average tax rate applied to accounting profit.

Strategic report and other Companies Act 2006 matters

The strategic report needs to articulate the effects of economic and other risks facing companies, including inflation, rising interest rates, supply chain issues and labour relations. Mitigation strategies should be explained, with links, where relevant, to information disclosed elsewhere in the annual report.

Business reviews should discuss significant movements in the balance sheet and cash flow statement, and should not be limited to just an explanation of financial performance in the period.

The FRC has also identified instances of companies not complying with legal requirements around distributions, and companies are reminded of the need to file interim accounts to support distributions in excess of the distributable profits shown in the relevant accounts.

Revenue

Accounting policies should be provided for all significant performance obligations and should address the timing of revenue recognition, the basis for over-time recognition, and the methodology applied.

Inflationary features in contracts with customers and suppliers and the accounting for such clauses are under increased focus this year.

Alternative performance measures ('APMs')

APMs should not be presented with more prominence, emphasis or authority than measures stemming directly from the financial statements, and should be reconciled to the relevant financial statements line item.

FRC's areas of focus (cont.)

Provisions and contingencies

Companies should give clear and specific descriptions of the nature and uncertainties for material provisions or contingent liabilities, the expected timeframe and the basis for estimating the probable or possible outflow.

Inputs used in measuring provisions should be consistent in the approach to incorporating the effects of inflation, and details of related assumptions should be provided if material.

Presentation of financial statements and related disclosures

Material accounting policy information should be clearly disclosed, and additional company-specific disclosures should be provided when compliance with IFRS requirements is insufficient to adequately explain transactions.

Judgements and estimates

Economic uncertainty increases the likelihood of companies needing to make significant judgements when preparing financial statements. The FRC highlights two specific examples – going concern assessments and accounting for inflationary features in contracts – where disclosure is key.

More generally, the FRC highlights the need for disclosures to clearly distinguish between estimates with a significant risk of a material adjustment to the carrying amounts of assets/liabilities within the next year, and other sources of estimation uncertainty.

Significant estimates, and the associated disclosures should be updated at the balance sheet date. Sensitivity disclosures should be meaningful for readers, for example by sensitising the most relevant assumptions, and explaining any changes in assumption since the previous year.

Impairment of assets

Economic uncertainty may have a significant impact on impairment assessments, and this is an area where queries raised from the FRC could have been avoided by clearer disclosure.

Companies need to explain the sensitivity of recoverable amounts to changes in assumptions, especially where the range of possible outcomes has widened. This should include explanation of the effect of economic assumptions, such as reduction in customer demand and increased cost.

Inflation should be treated consistently in value in use calculations. Nominal cash flows are discounted at a nominal rate, and real cash flows are discounted at a real rate.

Lastly, the FRC stresses the importance of consistency between impairment reviews/disclosures and other disclosures in the annual report.

Thematic reviews

The FRC released six thematic reviews on corporate reporting last year, and companies are encouraged to consider the guidance in those reviews, where relevant, to enhance their financial reporting.

The topics covered are:

- [TCFD disclosures and climate in the financial statements](#)
- [Judgements and estimates](#)
- [IFRS 3 Business Combinations](#)
- [Discount rates](#)
- [Deferred Tax Assets \(IAS 12\)](#)
- [Earnings per Share \(IAS 33\)](#)

2022/23 review priorities

The FRC has indicated that its 2022/23 reviews will focus on the extent to which companies' disclosures address risks and uncertainty in the challenging economic environment, including those relating to climate change. Companies need to clearly articulate the impact of these risks on their strategy, business model and viability. In particular, the FRC intends to prioritise reviews of companies operating in the following sectors:

 Travel, hospitality and leisure

 Construction materials

 Retail

 Gas, water and multi-utilities



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SOUTH
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Governance and Audit Committee

Tuesday, 16 July 2024

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

Counter Fraud Annual Report 2023/24

Report Author

Tracey Elliott, Governance and Risk Officer

 tracey.elliott@southkesteven.gov.uk

Purpose of Report

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the counter fraud arrangements in place and the activities that are being undertaken to mitigate those risks.

Recommendations

That the Committee approves the Counter Fraud Annual Report 2023/24.

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 implications arising from this report.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.3 There are no significant legal and governance implications arising from this report which are not already referenced in the body of the report.

Completed by: Graham Watts, Monitoring Officer

2 Background to the Report

- 2.1 In accordance with the terms of reference of the Committee it is a requirement to produce an annual report on the counter fraud arrangements in place and the activities undertaken. The report being presented covers the financial year 2023/24 and details the various aspects of work delivered during the year. Counter fraud is fundamental to the Council's achievement of its strategic objectives.
- 2.2 The Council is committed to the highest standards of quality, probity, openness and accountability. As part of the Committee's terms of reference, counter fraud is one of the key areas of focus being an essential element of delivering good governance. To develop and promote greater awareness, and in line with best practice, a review of the Council's Counter Fraud Framework has been undertaken, culminating in this new Counter Fraud, Bribery and Corruption Strategy 2024-26.
- 2.3 Like any organisation South Kesteven District Council is inherently vulnerable to the risk of fraud and corruption and, with reducing Government funding and the current economic position, it is vital that robust arrangements for the prevention and detection of fraud are maintained, and best use of information and knowledge is made in order to ensure effective fraud prevention procedures are in place.
- 2.4 Good governance is essential in the public sector to meet legal requirements and to uphold public expectations that we will make good use of resources. The Accounts and Audit Regulations 2015 requires authorities to implement measures to enable the prevention and detection of inaccuracies and fraud.

3 Counter Fraud, Bribery, and Corruption Strategy 2024-26

- 3.1 The Counter Fraud Framework has been reviewed and the Whistleblowing Policy and Anti-Money Laundering Policy appendices removed as standalone policies as

they may cover activities and issues that are not related to fraud – these two policies were reviewed and approved by Governance and Audit Committee on 19 June 2024.

- 3.2 The Fraud Response Plan has also been separated from the Framework as it is not appropriate to have that document in the public domain – this remains an internal guidance document.
- 3.3 The new, revised document has therefore been renamed as the Counter Fraud, Bribery and Corruption Strategy 2024-26 and this is being presented as a separate agenda item to Committee.

4 Key Activities Undertaken in 2023/24

Counter Fraud Risk Assessment

- 4.1 Every organisation, no matter the size, maturity or industry has a varying degree of risk of fraud and bribery. It is therefore key for organisations to be proactive in ensuring systems, processes and controls are continually assessed, with the aim of reducing fraud risks, where possible. A live and continually assessed fraud risk register will help significantly in this being achieved.
- 4.2 The objective of the Fraud Risk Assessment workshop, and production of a draft Fraud Risk Assessment, was to assess the organisation's fraud risk profile and susceptibility to some of the most common areas of known fraud threats.
- 4.3 A fraud survey was shared with staff, seeking their insights into key areas where fraud and bribery risks were deemed to be prevalent to the organisation. These areas were used to direct and focus areas of the fraud risk workshop areas of awareness and those to be captured as part of the draft assessment/workshop group exercises.
- 4.4 The draft Fraud Risk Register will be developed during 2024/25 to have:
 - Scoring applied to the risk areas, in line with the established scoring methodology in place
 - Key areas of priorities and actions to be identified and agreed with Corporate Management Team
 - Identification of timing/process for review and ownership of managing risks
- 4.5 The conclusions drawn will assist the Council in building a longer-term counter fraud strategy and, in turn, help mitigate fraud and bribery risks. This may identify areas for improvement that would fit for internal audit review or other external assurance providers.

Housing Benefit and Council Tax Support Fund

- 4.6 Fraud cases are identified in numerous different ways with referrals coming from various sources. A primary channel is through joint working with the Department of Work and Pensions (DWP). Where appropriate, the Council will undertake joint working arrangements with the DWP where there has been an allegation of fraud against a claimant within the district that is claiming Housing Benefit and/or Council

Tax Discount. Fraud cases can also be referred from other departments within the Council. This could include, but is not limited to, the Income Recovery Team, Visiting Officers, or Housing Officers. It is also possible for referrals to come from other authorities. Whistleblowing from members of the public also plays a crucial part in combatting fraud within the Housing Benefit system. Referrals can be made online, via email and via a dedicated hotline.

4.7 Summary of Housing Benefit Overpayments for 2023/24:

	Number of invoices raised	Amount of debt	Amount recovered*
2023/24	234	£223,994	£270,395
2022/23	283	£227,305	£322,440
2021/22	313	£272,797	£340,409

*Amount recovered includes prior year debt

Single Person Discount (SPD)

- 4.8 For Council tax purposes residents can apply for Single Person Discount (SPD) should they be the sole adult occupier of a property. Residents who wish to apply for SPD are asked to complete a declaration confirming that they are the only adult resident in the property and that they are eligible to claim the discount.
- 4.9 The Council's primary approach for checking SPD entitlement is to participate biennially in a county wide counter fraud review alongside all Lincolnshire authorities. The process for this includes taking a data extract from the Council Tax records of accounts in receipt of SPD. This data is then put through a screening process to identify accounts which may be claiming SPD, where they are not entitled to, highlighting accounts where contact is needed.
- 4.10 A bulk SPD review commenced in March 2024. This is being undertaken by an external provider who offers a fully managed service of the review.
- 4.11 As a result of the review, 4,424 initial canvass forms were issued for those deemed high risk. Of those, 2,303 were returned. Reminders were issued to 1,075 and 482 were returned.
- 4.12 The review has resulted in 573 Single Person Discount awards being removed from the Council Tax account – this is broken down as follows:

	Band A	Band B	Band C	Band D	Band E	Band F	Band G	Band H
Removals	264	162	74	33	34	10	6	0

- 4.13 As a result of the 573 removals, the revenue generated is £75,611.
- 4.14 The review will conclude in August 2024 at which point, a proposal for the commencement of a rolling review will take place. Intelligence from the current

review, and experience of previous reviews, shows that some of the SPD removals will continue to be paid, or be subsequently re-instated, following contact from claimants where it was shown they had deliberately lied, upon review, in order to maintain their discount. Therefore, it is important to continue reviewing this discount to ensure the revenue generation is at least maintained, or even increased.

- 4.15 The business proposal for a rolling review will include cost/benefit analysis of further options to use a fraud referrals service to identify historic cases for revenue collection and options to pursue sanctions, including prosecution. Use of such a fraud referrals service provides all the information needed to demonstrate strong grounds to challenge those claimants who appear to have deliberately lied to maintain their discount or exemption. Local Authority information it holds about claimants is cross-matched with other data sources – highlighting anomalies (such as evidence of other adults living at the property) and pinpointing cases to be investigated further. Whilst this could increase collection rates, and sanctions would act as a future fraud deterrent, pursuing such cases does have the potential to cause reputational damage and prosecution success is not guaranteed.

Business Rates Relief – Retail Discount

- 4.16 At the Budget on 17 November 2022, the Chancellor announced a new business rates relief scheme for retail, hospitality, and leisure properties for 2023/24 with 75% relief, up to a cash cap of £110,000 per business. Under the cash cap, no ratepayer can in any circumstances exceed the £110,000 cash cap across all of their hereditaments in England.
- 4.17 Where a ratepayer had a qualifying connection with another ratepayer then those ratepayers should be considered as one ratepayer for the purposes of the cash caps. The RHL relief scheme guidance provided local authorities with information about the intended operation and delivery of the policy. The Government anticipated that local authorities would include details of the relief to be provided to eligible ratepayers for 2023/24 in their bills for the beginning of the 2023/24 billing cycle.
- 4.18 The Government published guidance setting out the eligibility criteria for the scheme. This guidance can be found here:
<https://www.gov.uk/government/publications/business-rates-relief-202324-retail-hospitality-and-leisure-scheme-local-authority-guidance>.
- 4.19 The Council applied the relief when the annual business rates bill was raised in March 2023. Included in the bill was a letter, requesting the ratepayer to complete an online form, either opting-in or opting-out of the relief scheme – responses were required by 31 March 2023.
- 4.20 For those businesses who opted-out or did not complete the form, their relief was removed and amended bills issued from 1 May 2023.
- 4.21 As of 31 March 2024, the Council awarded business rates relief during 2023/24 of £3,625,161

- 4.22 Business Rates support has been provided for previous financial years as a result of the coronavirus pandemic:

2022/23	£3,772,287
2021/22	£8,186,370
2020/21	£20,838,703

Business Rates – Small Business Rates Relief

- 4.23 A review of all Small Business Rates Relief awards was undertaken in October 2023.
- 4.24 Of the 1,973 properties where relief was awarded, 1,184 were visited and 789 were issued a letter. The review resulted in 23 reliefs being removed as they were no longer entitled (5) or there was a new occupier/tenant (18).

5 Key Considerations

- 5.1 The Committee should monitor and review the counter fraud arrangements currently in place and the activities that are being undertaken to mitigate those risks.

6 Reasons for the Recommendations

- 6.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (xx) should monitor and review the counter fraud arrangements currently in place and the activities that are being undertaken to mitigate those risks.



SOUTH
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Governance and Audit Committee


Tuesday, 16 July 2024

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

Counter Fraud, Bribery, and Corruption Strategy 2024-26

Report Author

Tracey Elliott, Governance and Risk Officer

 tracey.elliott@southkesteven.gov.uk

Purpose of Report

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the counter fraud arrangements in place which includes approving the Counter Fraud, Bribery, and Corruption Strategy.

Recommendations

That the Committee approves the Counter Fraud, Bribery, and Corruption Strategy 2024-26 attached at Appendix A.

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 implications arising from this report.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.3 There are no significant legal and governance implications arising from this report which are not already included in the body of the report.

Completed by: Graham Watts, Monitoring Officer

2 Background to the Report

- 2.1 In accordance with the workplan of the Governance and Audit Committee, it is a requirement to approve the Counter Fraud, Bribery, and Corruption Strategy 2024-26. The Counter Fraud Framework was last considered on 26 January 2022 and is required to be reviewed every two years.

3 Summary of position

- 3.1 The Council is committed to the highest standards of quality, probity, openness and accountability. As part of the Committee's terms of reference, counter fraud is one of the key areas of focus being an essential element of delivering good governance. To develop and promote greater awareness, and in line with best practice, a review of the Council's Counter Fraud Framework has been undertaken, culminating in this new Counter Fraud, Bribery, and Corruption Strategy 2024-26.
- 3.2 Like any organisation South Kesteven District Council is inherently vulnerable to the risk of fraud and corruption and, with reducing Government funding and the current economic position, it is vital that robust arrangements for the prevention and detection of fraud are maintained, and best use of information and knowledge is made in order to ensure effective fraud prevention procedures are in place.
- 3.3 Good governance is essential in the public sector to meet legal requirements and to uphold public expectations that we will make good use of resources. The Accounts and Audit Regulations 2015 requires authorities to implement measures to enable the prevention and detection of inaccuracies and fraud.
- 3.4 The Counter Fraud Framework has been reviewed and the Whistleblowing Policy and Anti-Money Laundering Policy appendices removed as these should be standalone policies as they may cover things that are not related to fraud – those

two policies were reviewed and approved by Governance and Audit Committee on 19 June 2024.

- 3.5 The Fraud Response Plan has also been separated from the Framework as it is not appropriate to have that document in the public domain – this remains an internal guidance document.

4 Counter Fraud, Bribery, and Corruption Strategy

- 4.1 The Council's Counter Fraud, Bribery, and Corruption Strategy 2024-26 aligns to [Fighting Fraud and Corruption Locally \(FFCL\) 2020: A strategy for the 2020s](#), the counter fraud and corruption strategy for local government, which is endorsed by a range of organisations including the Local Government Association, CIPFA Counter Fraud Centre, SOLACE, and counter fraud experts from numerous English local authorities.

- 4.2 The Council's Counter Fraud, Bribery, and Corruption Strategy 2024-26 is aligned to the FFCL's pillars of activity:

- **Govern**
 - Having robust arrangements and executive support to ensure anti-fraud, bribery, and corruption measures are embedded throughout the organisation. Having a holistic approach to tackling fraud is part of good governance.
- **Acknowledge**
 - Acknowledging and understanding fraud risks and committing support and resource to tackling fraud in order to maintain a robust anti-fraud response.
- **Prevent**
 - Preventing and detecting more fraud by making better use of information and technology, enhancing fraud controls and processes and developing a more effective anti-fraud culture.
- **Pursue**
 - Punishing fraudsters and recovering losses by prioritising the use of civil sanctions, developing capability and capacity to investigate fraudsters and developing a more collaborative and supportive local enforcement response. Local authorities have achieved success by following this approach; however, they now need to respond to an increased threat and protect themselves and the community. The second new area that has appeared during the research recognises the increased risks to victims and the local community.
- **Protect**
 - Protecting against serious and organised crime, protecting individuals from becoming victims of crime and protecting against the harm that fraud can do to the community. For a local authority this will also cover protecting

public funds, protecting its organisation from fraud and cybercrime and also protecting itself from future frauds.

- 4.3 The Counter Fraud Strategy explains how the Council will respond to the pillars of activity and identifies key priorities for 2024-26 under those pillars.

5 Key Considerations

- 5.1 The Committee should monitor and review the counter fraud, bribery, and corruption arrangements currently in place and the activities that are being undertaken to mitigate those risks.

6 Reasons for the Recommendations

- 6.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (xx) should monitor and review the counter fraud arrangements currently in place and the activities that are being undertaken to mitigate those risks.

7 Appendices

- 7.1 Appendix A – Counter Fraud, Bribery, and Corruption Strategy 2024-26

Counter Fraud, Bribery, and Corruption Strategy

2024-26



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Contents

Introduction	3
The Corporate Plan	3
Our vision	3
Outcomes	3
Making it happen: Our response to fraud	4
Govern	5
Acknowledge	6
Prevent and pursue	6
Protect	7
Reporting advice and support	8
Definitions	8
Stakeholder and responsibilities	9
Key priorities for 2024-26	10
Our strategy on a page	11



Introduction

South Kesteven District Council has adopted a stance of zero tolerance to all forms of fraud, bribery, and corruption.

The aim of this strategy is to provide an effective framework to protect Council resources from fraud and corruption.

The Corporate Plan

The Council's [Corporate Plan](#) sets out the Council's vision to be 'A thriving District to live in, work and visit'.

The Corporate Plan has identified five key priorities for the Council:

1. Connecting Communities
2. Sustainable South Kesteven
3. Enabling Economic Opportunity
4. Housing
5. Effective Council

Good governance is essential in the public sector to meet legal requirements and to uphold public expectations that we will make good use of resources.

Having a holistic approach to tackling fraud is part of good governance to minimise risks of fraud losses and financial irregularity against the Council. This means public money can be used for delivering the Council's priorities.

This strategy supports the Council's Corporate Plan, vision, and key priorities. It will support the Council to provide good value services for local residents and communities.

Our vision

We will protect South Kesteven District Council's resources from fraud and corruption. We have a culture where Officers are accountable for their actions and are empowered to make decisions so that fraud, bribery, and corruption risks are managed. There is a zero tolerance to all forms of fraud, bribery, and corruption.

Outcomes

We aim to:

- identify fraud risks as part of our management arrangements and evaluate what this means for the Council including any new and emerging risks
- ensure our Members and Officers have awareness of fraud, bribery, and corruption risks, their impacts and what the Council does to minimise these risks
- ensure our counter fraud, anti-bribery, and anti-corruption measures are proportionate to risks
- develop and maintain a culture where Officers and Members are accountable for their actions
- help our Officers to feel empowered to make decisions so that fraud, bribery, and corruption risks are managed well
- ensure effective internal control measures are in place to make it more difficult for fraud and error to occur
- demonstrate that the Council has taken steps to achieve fraud savings and recoveries including sanctions where appropriate
- protect the wider public purse through strategic partnerships
- continue to deliver a best practice response meeting professional guidance and responding to any changes in legislation

Making it happen: Our response to fraud

We acknowledge that there are inherent risks of fraud, bribery, and corruption against the Council. Strong governance and an ethical culture can build resilience against these risks.

We are clear on our vision to protect our resources from risks of fraud and corruption.

South Kesteven District Council will continue to take a zero-tolerance stance to all forms of fraud, bribery, and corruption.

To help us deliver our vision, we have aligned our strategy and local response to national best practice. [Fighting Fraud and Corruption Locally](#) (FFCL) provides a national strategy in response to economic crime and fraud.

FFCL is endorsed by a range of organisations including the Local Government Association, CIPFA Counter Fraud Centre, SOLACE, and counter fraud experts from numerous English local authorities.

Our response follows five pillars of activity:

Govern	Acknowledge	Prevent	Pursue	Protect
<ul style="list-style-type: none"> ■ Maintain robust arrangements and executive support to ensure counter fraud, bribery, and corruption measures are embedded throughout the Council 	<ul style="list-style-type: none"> ■ Assess and understand fraud, bribery, and corruption risks ■ Commit the right support to tackling fraud, bribery, and corruption ■ Demonstrate a robust counter ■ fraud, bribery, and corruption response ■ Communicate risks and response 	<ul style="list-style-type: none"> ■ Develop an effective counter fraud, bribery, and corruption culture ■ Enhance fraud, bribery, and corruption controls and processes ■ Make best use of information and technology ■ Communicate activity and successes 	<ul style="list-style-type: none"> ■ Investigate and prioritise fraud recovery sanctions, and punishment of offenders ■ Collaborate with strategic partners ■ Lesson learning and closing the gaps ■ Member and Officer training 	<ul style="list-style-type: none"> ■ Recognise the harm that fraud, bribery, and corruption can cause in the community ■ Protect the Council and its residents from fraud, bribery, and corruption

Our response to fraud, bribery, and corruption will be:

- Risk based following an assessment of fraud, bribery, and corruption risks
- Proportionate to risks faced
- Completed with due diligence
- Communicated
- Monitored and reviewed

Govern

The Council's Constitution sets out how the Council operates and how decisions are made. This includes a commitment to counter-fraud and anti-corruption:

"There is an expectation and requirement that all Members, Officers, consultants, contractors, and service users be fair, honest and act with the utmost of integrity at all times.

The Council is resolute that the culture and tone of the Authority is one of honesty and opposition to fraud and corruption.

There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with high standards of probity, openness and integrity and that Council Officers or its agent(s) at all levels will lead by example in these matters.

The Council's Codes of Conduct for Members and Officers set out approaches to work that are honest, fair, accountable and, as far as possible, transparent.

Members and Officers must act in line with the codes at all times".

The Governance and Audit Committee is charged with monitoring the effectiveness of the Council's Financial Regulations, Contract Procedure Rules, Codes of Conduct, Whistleblowing Policy, Anti-Money Laundering Policy, and the Counter Fraud Strategy.

The Cabinet Member for Corporate Governance and Licensing has specific responsibility for all areas of Governance, which includes fraud, bribery, and corruption.

We have also embedded counter fraud, bribery, and corruption arrangements throughout our other policies, risk management arrangements and systems of internal control. These include:

- Risk Management Framework
- Officer and Member Codes of Conduct – including rules on avoiding and stopping conflicts of interest
- Conflict of Interest Register
- Financial Regulations
- Information Security Policy and Acceptable Use of ICT Assets Policy

This is supported across the wider governance framework. Arrangements to prevent fraud, bribery, and corruption can be found in other policies and guidance documents. For example:

- Contract Procedure Rules
- Recruitment policies (verification of Officer identity)
- Disciplinary Policy
- Safer Lincolnshire Handbook (strategic response to tackling fraud as part of serious organised crime)

This list is not exhaustive but demonstrates how our arrangements are holistically designed to support and embed a counter fraud, bribery, and corruption culture.

Acknowledge

The Council recognises the inherent risk of fraud, bribery, and corruption against public money.

Horizon scanning: fraud risk assessment

It is important the Council understands its exposure to fraud as part of risk management arrangements.

The Section 151 Officer is responsible for communicating fraud risks and responses in annual reports to the Governance and Audit Committee. This will include an annual counter fraud report summarising what work has been delivered and the effectiveness of counter fraud arrangements.

Fraud threats constantly evolve, so our response to fraud will be agile. We will respond in a proportionate manner, and where necessary make use of additional external resource. For example, our internal auditors and other specialist counter fraud professionals.

Fraud control in emergency management

During emergency times, the Council's usual internal controls may need to change rapidly. Fraud risks may be heightened as fraudsters seek to exploit vulnerabilities and weak spots in temporary arrangements. During emergency times, we will apply the overarching principles:

- Acknowledge and accept risks are higher than normal
- Integration of fraud control resources in process design
- Implementation of control measures
- Carry out targeted post-event assurance work
- Control framework re-assessment following move following recovery

Prevent and pursue

Fraud, bribery, and corruption are unacceptable, and prevention is everyone's responsibility.

Our governance arrangements provide a framework for an anti-fraud culture. The Section 151 Officer will ensure we translate this high-level Strategy and our policies into action.

We will:

- communicate our zero-tolerance stance to fraud, bribery, and corruption, and action we have taken
- raise fraud, bribery, and corruption awareness – our policies, spotting risks, knowing how to act and publishing actions taken against fraudsters
- work with our internal auditors to ensure there are robust systems of risk based internal control to manage risks found in our fraud risk assessment
- explore opportunities for use of technology, such as data matching
- collaborate strategically including participation in the National Fraud Initiative exercise
- promote the whistleblowing facility as an option for reporting fraud concerns
- ensure reports of fraud are actioned and investigated
- take steps for sanctions and redress following fraud incidents
- address lessons learnt following incidents of fraud, bribery, or corruption

To help with this, the Council has a qualified Accredited Counter Fraud Specialist and access to additional specialist resource if required. This will be used to:

- develop and deliver an effective coordinated fraud, bribery, and corruption awareness programme
- deliver savings and achieve outcomes which will reduce fraud
- share intelligence, access investigative resource, expertise, and best practice

Plans will be reviewed so that the Council can respond to current and emerging risks where they are cross-cutting with other councils.

Preventing bribery and corruption

We will ensure arrangements are embedded throughout policies and governance arrangements to prevent bribery and corruption.

Specific guidance on how to conduct business through contract negotiations are included in the Contract Procedure Rules, and suppliers and partners are expected to comply with Council policies when delivering goods and services on behalf of the Council.

There are clear rules in the Codes of Conduct for Officers and Members about accepting gifts, hospitality, or donations. Risks of bribery and corruption will be included in fraud risk assessments.

Reporting concerns

Our Whistleblowing Policy sets out what should be reported and how you can do this. Contact details for reporting concerns are included within this policy. Resources are available to maintain our whistleblowing arrangements.

Investigation

The Counter Fraud Strategy is supported by a Fraud Response Plan which explains what to do

if you suspect fraud or corruption and how we will deal with fraud concerns when they are reported.

The Fraud Response Plan sets out our intent to investigate and, where fraud is found, to apply sanctions and seek redress. We will ensure investigation resource is made available to follow up fraud concerns.

Protect

Our actions to prevent and pursue fraud, bribery, and corruption against the Council are designed to protect Council resources. We recognise fraud, bribery, and corruption can also cause harm in the wider community and we will work in collaboration with our strategic partners to protect both the Council and its residents from such risks.

South Kesteven District Council is one of the partner organisations of the Safer Lincolnshire Partnership (SLP). The SLP is the single multi-agency forum for addressing community safety issues across Lincolnshire.

The SLP has identified tackling serious organised crime as a strategic priority. This includes fraud. Their current work is focused on preventing fraud and scams against members of the public, and ensuring individual victims are supported.

Reporting advice and support

To avoid potentially contaminating the evidence, managers should not investigate themselves and instead immediately report all suspicions of fraud or corruption to the Statutory Officers Group:

Karen Bradford – Chief Executive

karen.bradford@southkesteven.gov.uk

Richard Wyles – Deputy Chief Executive and Section 151 Officer

richard.wyles@southkesteven.gov.uk

Graham Watts – Monitoring Officer





graham.watts@southkesteven.gov.uk

We will treat all concerns or suspicions with discretion and in confidence. Our Fraud Response Plan sets out how to report concerns and how we will handle reports.

Whistleblowing facility:

[Report Fraud Online](#) or email: reportfraud@southkesteven.gov.uk

Definitions

Fraud 	<p>Fraud is a deception which is deliberate and intended to provide a direct or indirect personal gain.</p> <p>The term fraud can include criminal deception, forgery, blackmail, corruption, theft, conspiracy or the covering up of material facts and collusion. By using deception a fraudster can obtain an advantage, avoid an obligation, or cause loss to another party.</p>
Bribery 	<p>Bribery is the offering, promising, or giving of something to influence an official.</p> <p>This can include payments to get a faster or better service or to gain advantage in public procurement processes; offering, providing or receiving gifts, entertainment, and hospitality or other items of value such as donations or sponsorships; and levels of hospitality disproportionate to a business transaction.</p>
Corruption 	<p>Corruption is the abuse of entrusted power for private benefit that usually breaches laws, regulations, standards of integrity or standards of professional behaviour.</p> <p>This can include the abuse of the power given to an individual by another person or organisation; activity that's beyond the position or remit of a person; and benefits taken for an employee's personal gain, rather than for their organisation.</p>
Theft 	<p>A person is guilty of theft if he dishonestly appropriates property belonging to another with the intention of permanently depriving the other of it; and theft and steal shall be construed accordingly.</p> <p>The Council will report all theft to the police for investigation.</p>

Stakeholder and responsibilities

Stakeholder	Responsibilities
Chief Executive	<ul style="list-style-type: none"> ■ Ultimately accountable for the effectiveness of the Council's arrangements for countering fraud, bribery, and corruption
Deputy Chief Executive and Section 151 Officer	<ul style="list-style-type: none"> ■ Develop and maintain the Counter Fraud, Bribery, and Corruption Strategy, supported and approved by the Governance and Audit Committee
Monitoring Officer	<ul style="list-style-type: none"> ■ Advise Members and Officers on ethical issues, standards and powers to ensure that the Council operates within the law and statutory Codes of Practice
Governance and Audit Committee	<ul style="list-style-type: none"> ■ Review the assessment of fraud, bribery, and corruption risks and potential harm to the Council from those risks ■ Monitor the effectiveness of the Council's Financial Regulations, Contract Procedure Rules and other policies for counter fraud, bribery, and corruption ■ Promote high standards of conduct amongst Officers and Members
Members	<ul style="list-style-type: none"> ■ Support and promote the development of a strong counter fraud culture
External Audit	<ul style="list-style-type: none"> ■ Subject to the concept of materiality, provides reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity
Deputy Chief Executive and Section 151 Officer Accredited Counter Fraud Specialist	<ul style="list-style-type: none"> ■ Report significant matters of fraud or financial irregularity to the Head of Paid Service (Chief Executive), the Executive and the Governance and Audit Committee ■ Develop and implement the Counter Fraud, Bribery, and Corruption Strategy and promptly investigate cases of suspected fraud ■ Make recommendations to improve controls and reduce the risk of fraud in the future ■ Ensure that where fraud is found proportionate action is taken for sanctions and redress
Directors	<ul style="list-style-type: none"> ■ Ensure that the Counter Fraud, Bribery, and Corruption Strategy is adhered to and that the risk of fraud, bribery, and corruption are assessed reducing risks by implementing strong internal controls ■ To report all suspected fraud or financial irregularity in accordance with the Fraud Response Plan
Heads of Service	<ul style="list-style-type: none"> ■ Promote Officer awareness ■ Refer all suspected fraud in accordance with the Fraud Response Plan and apply the policy of zero tolerance ■ Ensure assessment of the risk of fraud, bribery, and corruption in their service area and reduce these risks by implementing strong internal controls
Officers	<ul style="list-style-type: none"> ■ Comply with Council policies and procedures, to be aware of the possibility of fraud, bribery, and corruption, and to report any genuine concerns to management, Statutory Officers Group, the Accredited Counter Fraud Specialist, or via the whistleblowing arrangements
Public, Partners, Suppliers, Contractors, and Consultants	<ul style="list-style-type: none"> ■ Be aware of the possibility of fraud and corruption against the Council and report any genuine concerns/suspensions

Key priorities for 2024-26

Govern

- Deliver mandatory fraud awareness learning for all Council staff and Elected Members
- Implement a Counter Fraud Strategy
- Undertake an assessment against the Fighting Fraud and Corruption Locally Checklist

Acknowledge

- Develop a detailed fraud risk assessment in conjunction with service areas
- Review available counter fraud resources to ensure they are being utilised to maximum effect

Prevent and Pursue

- Improve publicity by refreshing information on internal and external websites, ensuring regular communication of fraud risks and improved use of social media
- Develop and enhance relationships with enforcement partners and local authority neighbours
- Improve and formalise internal control work with internal audit
- Consider innovative projects around data sharing eg NFI
- Review the benefits of fraud forums and benchmarking groups

Pursue

- Develop a targeted proactive programme of activity based on identified risks
- Consider how best to prioritise fraud recovery
- Develop a programme of closer working eg with DWP, Police etc

Protect

- Further develop the Fraud Response Plan which provides guidance to employees, managers, and the public, defining responsibilities for action in the event of suspected fraud

Our strategy on a page

Our vision

Working together to understand, find and prevent fraud, bribery, and corruption within South Kesteven

Our purpose

To protect South Kesteven District Council from fraud, bribery, and corruption

We achieve this by:

- Creating a culture where fraud, bribery, and corruption are unacceptable
- Raising awareness internally and externally to deter fraudsters
- Assessing fraud, bribery, and corruption risks ensuring control measures are appropriate
- Deploying appropriate resources to deal with the level of risk identified
- Ensuring resources for tackling fraud, bribery, and corruption have the appropriate skills and competence
- Working together with colleagues, other local authorities and agencies, sharing resources, skills, learning and best practice

Our values

The values of the Council determine how we behave and deliver services to residents and businesses and how we interact with each other. They are the 'true north' that underpins the culture of #TEAMSK:



Our strategic priorities

Connecting Communities

Sustainable South Kesteven

Enabling Economic Opportunity

Housing

Effective Council

How we deliver

Fraud Risk Assessment

Effective Internal Control Measures

Fraud Awareness Training

Partnership Counter Fraud Working

Targeted Fraud Prevention

Contact Details

**Alternative formats are available on request:
audio, large print and Braille**

South Kesteven District Council
01476 40 60 80
 **www.southkesteven.gov.uk**



**SOUTH
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Governance and Audit Committee

Tuesday, 16 July 2024

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

Whistleblowing Annual Report 2023/24

Report Author

Tracey Elliott, Governance and Risk Officer

 tracey.elliott@southkesteven.gov.uk

Purpose of Report

One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the whistleblowing arrangements in place and action taken as a result of whistleblowing disclosures.

Recommendations

That the Committee notes the contents of this report and ensures it obtains the necessary assurance in respect of the whistleblowing investigations

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 implications arising from this report.

Completed by: Richard Wyles, Deputy Chief Executive and s151 Officer

Legal and Governance

- 1.3 From a governance perspective, the Governance and Audit Committee should be content with the arrangements the Council has in place to effectively manage and address instances of whistleblowing that are reported.

Completed by: Graham Watts, Monitoring Officer

Human Resources

- 1.4 This report highlights the need for the Council to continue to foster a culture of openness, trust and accountability, where employees feel confident and supported to raise concerns about wrongdoing. Regular training and guidance for employees and managers on whistleblowing is important to include the roles and responsibilities of all parties, and the channels and mechanisms for reporting and escalating concerns.

Completed by: Fran Beckitt (Head of HR)

2 Background to the Report

- 2.1 The Council is committed to the highest standards of quality, probity, openness, and accountability. As part of the Committee's terms of reference, whistleblowing is one of the key areas of focus being an essential element of delivering good governance.
- 2.2 To develop and promote greater awareness, and in line with best practice, a review of the Council's whistleblowing arrangements has been undertaken, culminating in this Annual Report for 2023/24.

3 Whistleblowing

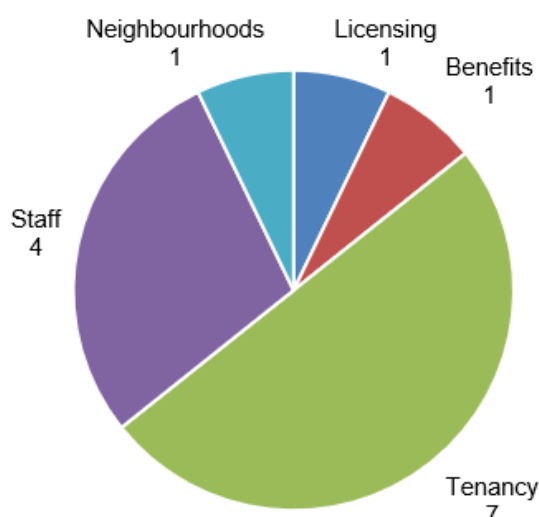
- 3.1 Whistleblowing is the term used when a worker passes on information concerning wrongdoing ie “making a disclosure” or “blowing the whistle”. The wrongdoing will typically, although not necessarily, be something they have witnessed at work.
- 3.2 To be covered by whistleblowing law, a worker who makes a disclosure must reasonably believe two things:
- That they are acting in the public interest ie this means that personal grievances and complaints are not usually covered by whistleblowing law; and
 - That they must reasonably believe that the disclosure tends to show past, present, or likely future wrongdoing falling into one or more of the following categories:
 - Criminal offences
 - Failing to comply with a legal obligation
 - Miscarriages of justice
 - Endangering someone’s health and safety
 - Damaging the environment
 - Covering up wrongdoing in the above categories
- 3.3 Whistleblowing law is set out in the Employment Rights Act 1996 (as amended by the Public Interest Disclosure Act 1998). It provides the right for a worker to take a case to an employment tribunal if they have been victimised at work or lost their job because they have ‘blown the whistle’.
- 3.4 The Council’s [Whistleblowing Policy](#) makes it clear that all concerns raised about actual or potential misconduct, or wrongdoing in the Council, are taken seriously.
- 3.5 For matters relating to fraud and corruption, and all other concerns which fall under one of the categories above, these are considered by the Council’s Statutory Officers Group.
- 3.6 This report provides a summary of whistleblowing disclosures during 2023/24 and the Council’s response to those disclosures.
- 3.7 To protect the confidentiality of whistleblowers, and other parties involved, no information is included in this report that could lead to the identification of a whistleblower, or the subject of the whistleblowing, or compromise the confidentiality of an ongoing investigation.

4 Summary of disclosures

- 4.1 During 2023/24, the Council received 14 whistleblowing disclosures, which is a reduction on previous years where there were 20 during each of the years 2022/23 and 2021/22.
- 4.2 All disclosures were made by an external third party, or were anonymous, and as such the legal protection afforded to employees who raise concerns does not

extend to these individuals. However, the Council considers that any disclosure made by members of the public should be treated in the same way and consequently makes every reasonable effort to protect all individuals under the Whistleblowing Policy.

- 4.3 A summary of the category of disclosures made in 2023/24 is provided below and further details are provided in Appendix A.



5 Response to disclosures

- 5.1 Whilst all concerns are taken seriously the response will differ on a case-by-case basis. If the disclosure has been made anonymously, and insufficient details have been provided, the Council may be restricted in the action it can take.
- 5.2 For all disclosures received, the Whistleblowing Policy will be followed ie a preliminary fact-finding investigation will be undertaken which, if required, will result in a full investigation by the Accredited Counter Fraud Specialist and formal action being considered.
- 5.3 A Confidential Whistleblowing Investigation Report is completed for all whistleblowing disclosures – the template is attached at Appendix B.
- 5.4 Statutory Officers Group receive a monthly whistleblowing report, including any investigation reports, in respect of whistleblowing disclosures. Statutory Officers Group review the reports and agree actions to be taken where appropriate.

6 Learning from disclosures

- 6.1 Where an investigation establishes that misconduct or wrongdoing has taken place, appropriate action would be taken including, where appropriate, the use of the Council's formal disciplinary procedure and/or referring matters to third party organisations including the police.

- 6.2 Where appropriate, management will identify learning points from any issues raised and implement actions to prevent similar issues recurring. If required, this includes consideration of whether there are any systematic improvement actions for the wider organisation.

7 Key Considerations

- 7.1 The Committee should monitor and review the whistleblowing arrangements currently in place and the activities that are being undertaken to mitigate those risks.

8 Other Options Considered

- 8.1 None.

9 Reasons for the Recommendations

- 9.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (xx) should monitor and review the counter fraud arrangements currently in place and the activities that are being undertaken to mitigate those risks.

10 Appendices

- 10.1 Appendix A – Whistleblowing Disclosures 2023/24
- 10.2 Appendix B – Confidential Whistleblowing Investigation Report Template

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Appendix A – Whistleblowing Disclosures 2023/24

Category	Brief details of allegation	Outcome
Tenancy	False homelessness application	Investigated – Unfounded
Tenancy	Tenancy application fraud	Investigated – Unfounded
Tenancy	Breach of tenancy and benefits fraud	Investigated – Unfounded Benefits referred to DWP
Tenancy	Breach of tenancy	Investigated – Unfounded
Tenancy	Breach of tenancy	Investigated – Unfounded
Tenancy	Breach of tenancy	Investigated – Unfounded
Tenancy	Tenancy fraud	Investigated – Unfounded
Neighbourhoods	Report of illegal parking and excessive garbage	Whistleblower advised to 'Report it' via correct process
Licensing	Report of taxi speeding and expiry of MOT (reported by Speedwatch Volunteers)	No action required – Speeding had been referred to the police. Taxis do not require an MOT as they undergo six monthly compliance tests
Benefits	Alleged benefit fraud	Referred to DWP
Staff	Potential criminal offence	Full investigation – Policies and procedures reviewed and updated
Staff	Council policy discriminates against a segment of staff	Whistleblower advised to raise their concerns via the Council's normal channels for raising concerns about Council policy. No further contact received
Staff	Breach of Council policies and procedures	Full investigation – Recommended for disciplinary hearing. Officer received a final written warning
Staff	Breach of Council policies and procedures	Full investigation – Recommended for disciplinary hearing (ongoing)

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Appendix B

Appendix B – Confidential Whistleblowing Investigation Report Template

Reference	2425/____
Date received	
Date closed	
Named party	
Summary	
Category	
Service area & Officer	
Investigating Officer	

Whistleblowing allegation (exact copy and paste of referral)	
Remit of the investigation	
Investigation process	
Witnesses	
Findings	
Conclusions	
Actions	
Appendices	
Signed by Investigating Officer	
Date	

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SOUTH
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COUNCIL



Governance and Audit Committee

16 July 2024

Report of Councillor Ashley Baxter,
Cabinet Member for Finance, HR and
Economic Development

2023/24 Statement of Accounts Update

Report Author

Paul Sutton, Interim Head of Finance (Deputy S151 Officer)



Paul.sutton@southkesteven.gov.uk

Purpose of Report

To update the Committee on the progress of the production of the 2023/24 Statement of Accounts.

Recommendations

It is recommended that the Governance and Audit Committee notes the progress of the audit of the 2023/24 Statement of Accounts.

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	High performing 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 Procurement

- 1.1 The financial considerations are contained in the report.

Completed by: Richard Wyles, Chief Finance Officer

Legal and Governance

- 1.2 There are no significant legal and governance implications associated with this report which are not already referred to in the body of the report.

Completed by: Graham Watts, Monitoring Officer

2. Background to the Report

- 2.1 The issues with the closedown and auditing of the Statement of Accounts within the Local Government sector have been well documented. There are still a significant number of authorities who have not yet closed accounts from 2022/23 and earlier.
- 2.2 There are many reasons for this including: increasing requirements from the National Audit Office; and lack of capacity in Local Authorities and audit firms ability to deal with the changing timescales needed in Local Authorities.
- 2.3 The issue has become so severe that the Department of Levelling Up, Housing and Communities (DLUHC) has intervened in a bid to "catch up" on the backlog of external audits being published.

- 2.4 It has done this by creating phased deadlines, or back stop dates, for each financial year's accounts as set out in the table below:

Financial year accounts	Deadline
2022-23	30 September 2024
2023-24	31 May 2025
2024-25	31 March 2026
2025-26	31 January 2027
2026-27	30 November 2027
2027-28	30 November 2028

- 2.5 The consequences of not meeting the back stop date of 31 May 2025 are not fully understood but would certainly result in an audit opinion that reflects any implication of not achieving the statutory deadline. However, it is unlikely the Council will not achieve that date given the current progress.
- 2.6 The timescales set out in the table at 2.4 give a strong indication of the scale of the problem, which is not expected to be resolved until 2028/29.
- 2.7 The Council's track record in closing its accounts has been excellent. The 2022/23 accounts were closed in January 2024; even though this was beyond the statutory deadline, it was at a time when only 10% of authorities had closed their accounts.

3. 2023/24 Statement of Accounts Update

- 3.1 Progress on the 2023/24 Statement of Accounts has been positive. However a small number of issues have delayed the provisional outturn including system and staffing capacity challenges.
- 3.2 The main issues impacting the closedown of the financial year have related specifically to the implementation of a new housing rent system. The new system went live in January 2024 and information required for outturn has proven more difficult to acquire than anticipated.
- 3.3 This issue has now been resolved and the provisional outturn reports are presented on this agenda. However, it has had a consequential adverse impact on the closedown timetable. Furthermore, the implementation of Unit 4, the Council's new finance system, is also impacting on staffing capacity as it requires the finance officers' input throughout the implementation.
- 3.4 The impact on timescales is likely to result in draft accounts being prepared by mid-August at the earliest; and this will need to be discussed with KPMG who are the new external auditors. Nevertheless, it is still expected that the statutory deadline of 30th September for the production of the audited accounts will be achieved.

4. Reasons for the Recommendations

- 4.1 Section 21(2) of the Local Government Act 2003 requires that the Statement of Accounts is prepared in accordance with the statutory framework established by the Accounts and Audit Regulations (England) 2015.
- 4.2 The Accounts and Audit (Amendment) Regulations 2022 require the accounts to be published when they have been audited.
- 4.3 It is important that members of the Governance and Audit Committee are kept informed on the progress of the 2023/24 Statement of Accounts and this report provides a detailed explanation of this.



**SOUTH
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Governance and Audit Committee

Tuesday, 16 July 2024

Report of Councillor Ashley Baxter -
The Leader of the Council, Cabinet
Member for Finance, HR and Economic
Development

Provisional Outturn Position Report 2023/24

Report Author

Richard Wyles, Deputy Chief Executive and s151 Officer

 Richard.wyles@southkesteven.gov.uk

Purpose of Report

This report provides the Governance & Audit Committee with the details of the Council's provisional outturn position for the financial year 2023/24. The report covers the following areas:

- General Fund Revenue Budget
- Housing Revenue Account Budget
- Capital Programmes – General Fund and Housing Revenue Account
- Reserves Statement – General Fund and Housing Revenue Account

Recommendations

Governance & Audit Committee is asked to:

- 1. Review and approve the provisional Revenue and Capital Outturn position and associated appendices for the financial year 2023/24.**

2. Review and approve the following reserve movements in respect of the General Fund:
 - £680k of the Business Rates Volatility Reserve to be transferred to the:
 - ICT Reserve - increase by £200k
 - Property Maintenance Reserve - increase by £250k
 - Creation of a Leisure Investment Reserve of £200k
 - Creation of a Flood Reserve of £30k
3. Review and approve the following reserve movement in respect of the Housing Revenue Account:
 - Transfer £100k from the HRA Priorities Reserve to create an HRA Climate Change Reserve
4. Delegate to the Deputy Chief Executive and s151 Officer in consultation with the Cabinet Member for Finance & Economic Development to finalise the reserve movements in order to ensure the Working Balance level for the General Fund and the Housing Revenue Account are maintained at prudent levels.
5. Note the Budget Carry Forwards (Sections 3, 4, 5 & 6).

Decision Information	
Does the report contain any exempt or confidential information not for publication?	N <i>(If yes please specify the relevant exemption paragraph)</i>
What are the relevant corporate priorities? <i>(delete as appropriate)</i>	Connecting communities Sustainable South Kesteven Enabling Economic Opportunities Housing Effective Council
Which wards are impacted?	(All Wards);

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 Procurement

- 1.1 The financial implications are included within the report.

Completed by: Paul Sutton, Interim Head 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.

Completed by: Graham Watts, Assistant Director (Governance & Public Protection) and Monitoring Officer

2. Background to the Report

- 2.1 This report provides the Governance & Audit Committee with detail of the Council's provisional outturn position for the financial year 2023/24. Throughout the financial year both Cabinet and the Finance & Economic Development Committee been provided with regular and comprehensive budget monitoring reports that has enabled members to be kept updated on what has been a particularly financially volatile year. Members will recall the financial year 2023/24 was anticipated to be supported by use of the Budget Stabilisation Reserve (BSR) of £1.534m which was in response to an unprecedented increase in budgets relating to utilities, inflation, material and fuel costs. These budget heading increases were as a result of external events outside of the Council's control and were considered to be temporary in their duration. In order to ensure a balanced budget was presented to Council it was recommended that the BSR was used. As this proposal was in accordance with the reserve policy, Council approved the one-off use in order to avoid the need to significantly reduce operating expenditure.

However during the financial year, the situation gradually improved and the prudent budget increase assumptions did not materialise which has resulted in there no longer being a need for a reserve movement. This coupled with ever

improving investment interest rates and therefore increasing investment income (an additional £832k General Fund during 2023/24) has resulted in an opportunity to review Budget Stabilisation Reserve and vire some of the reserve balance to other uses. This is necessary due to a number of earmarked reserves being required to continue to invest in specific activities, particularly ongoing investment in the backlog maintenance of corporate assets, investment in ICT and the formation of a Flood Reserve.

3. Revenue Budget 2023/24 – General Fund

- 3.1 The budget set by Council on 1 March 2023 was £21.496m. Budgets have been amended as projects have commenced and these changes increased the 2023/24 budget to £23.383m. For the purposes of the outturn variance analysis, the budget carry forwards and accounting adjustments such as depreciation have been removed from this which reduces the budget for comparative purposes to £17.234m. Table 1 provides a summary of the proposed budget carry forwards.

Table 1 – General Fund Revenue Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward £'000	Funding	Commentary
Funding of Public Protection Surveys	45	2021/22 unspent grant	Request to carry over remaining budget for surveys
Funding of the Elections Act 2022 requirements	68	61k 2023/24 grant. 7k 2022/23 unspent grant	Grant received that is required to fund specific expenditure items in 2024/25
Funding for relocation of CCTV room	17	Local Priorities Reserve	Request to carry over remaining approved budget for the completion of the project
Funding of Community Fund applications	35	2023/24 unspent grant	£22k approved schemes payable in 2024/25 and £13k of Lottery SK to fund future applications
Funding of Waste Round Review	10	Workshop Reserve	Request to carry over remaining approved budget for the completion of the project
Funding of refurbishment of assets and formation of new Customer Services (revenue)	286	Budget underspend 2023/24	Request to carry over the remaining budget to meet cost of the works that will commence in July 2024

Funding of St Martin's Park Project	55	Regeneration Reserve	Request to carry over remaining budget in order to continue the progression of the project
Funding of Depot (revenue)	93	Regeneration Reserve	Request to carry over remaining approved budget for the continued development of the project
Funding of Maintenance of Assets requirements	142	Maintenance Reserve £12k Budget underspend 2023/24 £106k	Carry forward requested in order to deliver the backlog of property maintenance including car parks, leisure centres and Arts centres
Funding of the District Local Plan	64	Local Priorities Reserve	Request to carry over remaining budget in order to continue the progression of the project
Funding of Development Management projects	109	2023/24 unspent grant	Grants received that are required to fund specific expenditure items in 2024/25
Funding of the UK Shared Prosperity project	136	2023/24 unspent grant	
Funding of the 'Greening Grantham' - feasibility project	10	2023/24 unspent grant	
Funding of the Future High Street project (Revenue)	77	2023/24 underspend	Request to carry over remaining budget in order to continue the progression of the project
Funding of Climate Change Initiatives	33	Climate Change Reserve	Request to carry over remaining budget in order to complete the projects
Funding of the Rough Sleeper project	109	2023/24 unspent grant	Request to carry over remaining grant in order to fund committed spend in 2024/25
TOTAL	1,289		

- 3.2 The forecast outturn position as at Quarter 3 was reported to the Finance and Economic Overview and Scrutiny Committee on 20 February 2024. This report is the final report for the financial year 2023/24 and represents a summary of the outturn compared to the budgets.
- 3.3 The General Fund outturn position is shown in Table 2. Appendix A provides details of the significant variances which impact across all Directorates along with supporting information explaining the main variances per service area by Directorate.

Table 2 – General Fund Revenue Outturn Positions (excluding accounting adjustments within Net cost of Service)

Description	2023/24 Current Budget	2023/24 Current Budget (less proposed Budget C/F and accounting adjustments)	2023/24 Provisional Outturn	Variance to Current Budget	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	%
Corporate, Governance & Public Protection	4,128	3,989	3,903	(86)	(2.2%)
Finance, Property & Waste Services	11,652	9,750	8,757	(993)	(10.2%)
Growth & Culture	8,745	4,632	3,817	(815)	(17.6%)
Housing & Projects	1,685	1,566	589	(977)	(62.4%)
HRA recharge	(2,814)	(2,814)	(2,780)	34	1.2%
Drainage Rates	871	871	902	31	3.6%
Investment Income	(760)	(760)	(1,592)	(832)	(109.5%)
Net Cost of Service	23,507	17,234	13,596	(3,638)	(21.1%)

4. General Fund Capital Programme 2023/24

- 4.1 The budget set by Council on 1 March 2023 for the 2023/24 General Fund Capital Programme was £12.147m. Budgets have been amended as projects have commenced and these changes increased the 2023/24 budget to £21.991m. 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 £7.610m. Table 3 provides a summary of the proposed budget carry forwards.

Table 3 – General Fund Capital Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward £'000	Funding	Commentary
Disabled Facilities Grant	260	Housing Delivery Reserve	Completion of works committed in 23/24
CCTV	353	Local Priorities Reserve & S106	Continuation of the project
Street Scene Vehicles	178	Usable Capital Receipts	Delays in procurement 23/24
Vehicle Replacement Programme	10	Usable Capital Receipts	Underspend to support 24/25 programme
Guildhall Arts Centre Boiler	107	Property Maintenance Reserve	Continuation of the project
Guildhall Arts Centre Roof	50	Usable Capital Receipts	Continuation of the project
Changing Places	40	Grant	Continuation of the project
Long Bennington PC play equipment	27	S106	Continuation of the project
Future High Street Fund	107	Grant	Continuation of the project
UKSPF Mobile Food Hub	50	Grant	Continuation of the project
UKSPF Connected Towns	244	Grant	Continuation of the project
SK Prosperity Fund	125	Grant	Continuation of the project
Coronation Community Orchards	46	Grant	Continuation of the project
Leisure Centre Pool Covers	232	Grantham & Climate Change Reserve	Continuation of the project
St Martin's Park Stamford	10	Local Priorities Reserve	Continuation of the project
Property Maintenance	158	Usable Capital Receipts	Continuation of the project
TOTAL	1,997		

- 4.2 Table 4 summarises the General Fund capital outturn position as at 31 March 2024.

Table 4 – General Fund Capital Outturn Position

Directorate	2023/24 Current Budget £'000	2023/24 Budget (less C/F approved by Council Feb 2024 and proposed Budget C/F) £'000	2023/24 Provisional Outturn £'000	2023/24 Outturn Variance £'000	2023/24 Outturn Variance %
Corporate, Governance & Public Protection	1,813	1,200	1,200	0	0.0%
Finance, Property & Waste Services	12,187	2,629	2,746	117	4.5%
Growth & Culture	6,290	586	515	(71)	(12.1%)
Housing & Property	1,701	1,198	372	(826)	(68.9%)
Total Expenditure	21,991	5,613	4,833	(780)	(13.9%)
Financed By:					
Capital Grant and Contributions	9,084	2,249	1,911	(338)	
Reserves	1,460	770	601	(169)	
Useable Capital Receipts	3,223	2,370	1,952	(418)	
Borrowing	8,224	224	369	145	
Total Financing	21,991	5,613	4,833	(780)	

5. General Fund Reserves 2023/24

- 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 significant balances and reserves are set out below and detailed at Appendix C.

Table 5 – General Fund Reserves Outturn Position

Description	Actual Balance as at 31 March 2023 £'000	Provisional Movement £'000	Provisional Balance as at 31 March 2024 £'000
Revenue Reserve			
Discretionary Reserves	12,088	(1,354)	10,734
Governance Reserves	6,818	(1,251)	5,567
Grants	1,064	1,205	2,269
Working Balance*	1,986	(44)	1,942
Total GF Revenue Reserves	21,956	(1,444)	20,512
GF Capital Reserve			
Capital Reserves	3,554	(559)	2,995
Total GF Reserves	25,510	(2,003)	23,507

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

- 5.2 It is recommended that £680K of the Business Rates Volatility Reserve is to be transferred to the:
- ICT reserve – increase by £200K to replenish the level of the Reserve.
 - Property Maintenance Reserve - increase by £250K to respond to deliver the backlog of property maintenance including car parks, leisure centres and arts centres.
 - Creation of a Flood Reserve of £30K to fund unforeseen costs in the event of extreme weather conditions.
 - Creation of a Leisure Investment Reserve of £200K in order to provide one-off funding in respect of leisure initiatives.
- 5.3 Discretionary Reserves - Significant movements included:
- £460K capital expenditure.
 - £448K revenue expenditure on ICT improvements.
 - £500K repayment of LLEP funding.
 - £241K to support revenue expenditure relating to property maintenance.
 - £58K match funding the Future High Street project.
 - New Homes Bonus funding of £459K was added to reserves.
- 5.4 Governance Reserves – Significant movements included:
- £27K capital expenditure within Grantham Special Expense Area (SEA).

- £117K was transferred to Stamford Town Council upon closure of the Stamford SEA.
 - £662K was used to fund revenue expenditure including £375K to fund the pay award.
 - A further £740K was transferred to discretionary reserves.
 - £125K was transferred from the Pay Award Reserve as this is no longer required as a pay award is included within the 2024/25 budget.
- 5.5 Grants provided funding for £109K capital expenditure and £218K revenue expenditure. Grants received in year with balances carried forward include.
- £61K new burdens grants.
 - £689K UK Shared Prosperity Fund.
 - £804K to support homelessness prevention.
- 5.6 The working balance movement will be confirmed once all the accounting entries are complete, and the statements are completed. However, the current policy is to retain a working balance level that is 10% - 15% of net operating expenditure. The final working balance will be meeting this policy balance requirement.
- 5.7 Capital Reserves were used to fund £2m capital expenditure and £1.4m was received from the sale of Council assets. This related to the sale of the former Offices at St Peter's Hill Grantham and the receipts from sales of end of life vehicles and other surplus assets.

6. Revenue Budget 2023/24 – Housing Revenue Account

- 6.1 The budget set by Council on 1 March 2023 resulted in a surplus of £6.9m. 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 £6.95m. The surplus is fully utilised to fund future investment in stock growth and property maintenance. Table 6 provides a summary of the proposed budget carry forwards.

Table 6 – HRA Revenue Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward	Funding	Commentary
Funding of Stock condition surveys	90	Budget underspend 2023/24	Request to carry over underspend for completion of the project in 2024/25
Earlesfield Project	97	HRA Priorities Reserve & Budget underspend 2023/24	Request to carry over underspend for completion of the project in 2024/25
Earlesfield – Community Centre	80	HRA Priorities Reserve	Request to carry over underspend for completion of the project in 2024/25
Total	267		

6.2 Table 7 shows the HRA revenue outturn position for 2023/24 and shows the variance comparison between budget and provisional outturn.

Table 7 – HRA Revenue Outturn Position 2023/24

Description	2023/24 Current Budget £'000	2023/24 Current Budget (less proposed Budget C/F) £'000	2023/24 Provisional Outturn £'000	2023/24 Variance £'000	2023/24 Variance %
Expenditure					
Repairs and Maintenance	9,756	9,614	10,485	871	9.1%
Supervision and Management - General	2,674	2,549	2,453	(96)	(3.8%)
Supervision and Management - Special	2,035	2,035	1,870	(165)	(8.1%)
Depreciation and Impairment of Fixed Assets	35	35	40	5	14.3%
Debt Management Expenses	3,944	3,944	4,651	707	17.9%
Provision for bad debts	394	394	394	0	0.0%
Other Expenditure (Pension Deficit) **	66	66	0	(66)	(100.0%)
Support recharge from General Fund	2,814	2,814	2,780	(34)	(1.2%)
Total Expenditure	21,718	21,451	22,673	1,222	5.7%
Income					
Dwelling Rents	(27,283)	(27,283)	(26,824)	459	1.7%

Non-Dwelling Rents	(300)	(300)	(282)	18	6.0%
Charges for Services and Facilities	(750)	(750)	(826)	(76)	(10.1%)
Other Income	(70)	(70)	(13)	57	81.4%
Total Income	(28,403)	(28,403)	(27,945)	458	1.6%
Net Cost of HRA Services	(6,685)	(6,952)	(5,272)	1,680	
Interest Payable and Similar Charges	2,238	2,238	2,237	(1)	
Interest and Investment Income	(660)	(660)	(2,301)	(1,641)	
Investment Property Inc & Exp *	0	0	(24)	(24)	
Net (Gain)/loss on sale of HRA Assets *	0	0	(371)	(371)	
External Grant Funding	0	0	(6)	(6)	
Capital receipts pooling *	0	0	0	0	
Accumulated Absences	0	0	14	14	
HRA (Surplus)/Deficit	(5,107)	(5,374)	(5,723)	(349)	

* Accounting adjustment reversed out on the HRA balance.

** Costs in relation to pension deficit are charged at service level.

7. HRA Capital Programme 2023/24

- 7.1 The budget set by council on 1 March 2023 for the 2023/24 HRA Capital programme was £18.497m. Budgets have been amended as projects have commenced and these changes increased the 2023/24 budget to £25.649m. 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 £25.472m. Table 8 provides a summary of the proposed budget carry forwards.

Table 8 – HRA Capital Proposed Budget Carry Forwards

Project	Proposed Budget Carry Forward	Funding	Commentary
Housing System Enhancements	116	HRA Priority Reserve	Request to carry over underspend for completion of the project in 2024/25
Choice Based Lettings	59	HRA Priority Reserve	Request to complete system enhancements
New Build Programme	1,000	Useable Capital Receipts	Request to carry over underspend for completion of the project in 2024/25

Local Authority Housing Fund	622	Grant	Request to carry over underspend for completion of the project in 2024/25
Passenger Lifts	556	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Fire Prevention	625	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Compliance Works	99	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Bathroom Refurbishments	132	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Fencing	262	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
External Wall Finishes	101	Major Repairs Reserve	Request to carry over underspend for continuation of the project in 2024/25
Total	3,572		

7.2 Table 9 summarises the HRA capital outturn position as at 31 March 2024.

Table 9 – HRA Capital Outturn Position

Capital Scheme	2023/24 Current Budget £'000	2023/24 Budget (less C/F approved by Council Feb 2024 and proposed Budget C/F) £'000	2023/24 Provisional Outturn £'000	2023/24 Outturn Variance £'000	2023/24 Outturn Variance %
Energy Efficiency Initiatives	5,474	5,474	2,576	(2,898)	(52.9%)
ICT	740	565	565	0	0.0%
Repair Vehicles	81	19	19	0	0.0%
New Build Programme	5,500	4,500	1,173	(3,327)	(73.9%)
LAHF	4,483	3,861	3,861	0	0.0%
Refurbishment & Improvement	9,071	7,181	7,765	584	8.1%
Physical Disabled Adaptations	300	300	314	14	4.7%
Total Expenditure	25,649	21,900	16,273	(5,627)	(25.7%)
Financed By:					
HRA Capital Receipts Reserve	5,500	4,500	1,160	(3,340)	
Grants & Contributions	2,985	2,363	3,577	1,214	
HRA Improvement Reserve	4,465	4,290	2,054	(2,236)	
Major Repairs Reserve	12,699	10,747	9,482	(1,265)	
S106	0	0	0	0	
Total Financing	25,649	21,900	16,273	(5,627)	

7.3 Appendix E provides a detailed table of the HRA capital programme outturn positions together with significant variances.

8. HRA Reserves 2023/24

Table 10 – HRA Reserves Outturn Position

Description	Actual Balance as at 31 March 2023 £'000	Net Provisional Movement £'000	Provisional Balance as at 31 March 2024 £'000
Revenue Reserve			
HRA Priorities Reserve	14,784	(3,407)	11,377
HRA Climate Reserve	0	100	100
LAHF	630	38	668
Working Balance*	1,762	505	2,267
Total HRA Revenue Reserves	17,176	(2,764)	14,412
HRA Capital Reserve			
HRA Capital Receipts Reserve	12,155	744	12,899
Major Repairs Reserve	19,553	(2,291)	17,262
Total HRA Capital Reserves	31,708	(1,547)	30,161
Total HRA Reserves	48,884	(4,311)	44,573

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

8.1 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 significant balances and reserves are set out below.

8.2 HRA Priorities Reserve movements:

- £2.054m has been used from this reserve to fund capital programme projects improving HRA IT systems and match funding the LAHF grant to enable the purchase of 21 houses.
- £0.5m was used to support revenue expenditure including:
 - £250K for continuing works on the Earlesfield Estate,
 - £150K to fund additional costs associated with the annual pay award
 - £90K for the relocation of the depot to Turnpike Close
 - £22K to begin improvements to the West Grantham Community Centre.
- A new HRA Climate Reserve has been established in the sum of £100K which has been transferred from the HRA Priorities Reserve.

- 8.3 The LAHF Reserve holds the Local Authority Housing Fund grant awarded to the Council in 2023/24 which will be used to fund capital expenditure in fulfilment of the grant conditions in 2024/25.
- 8.4 HRA Working Balance - This balance serves the same purpose as the General Fund Working Balance in that it is established to respond to unforeseen financial events that occur during the financial year. The Council policy is to aim to keep the working balance at approximately 10% of the operating expenditure. This is a provisional balance as the statement of accounts is still being finalised.
- 8.5 HRA Capital Receipts Reserve – The Council has established a capital receipts reserve where the ‘Right to Buy’ sale receipts are allocated. During the year £1.904m receipts have been received with 25 right to buy sales (compared to 42 RTB sales in 2022/23). £1.160m 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.
- 8.6 Major Repairs Reserve – This reserve has been decreased by £2.291m, in accordance with the HRA business plan an annual allocation is required in order to provide sustainable funding for the HRA capital programme. To provide financing for the future programme an allocation of £7,192m has been utilised. This will continue to be the primary financing for the housing improvement elements of the Capital Programme.

9. Reasons for the Recommendations

- 9.1 Members should be kept updated on the financial position of the Authority, as effective budget management is critical to ensuring financial resources are spent in line with the budget and are targeted towards the Council’s priorities. Monitoring enables the early identification of variations against the plan and facilitates timely corrective action.
- 9.2 This report provides an overview of the provisional outturn financial position for the Council for 2023/24.

10. Consultation

- 10.1 The Outturn report is presented to the Governance & Audit Committee for its consideration following Cabinet on 9 July 2024. It will be presented to the Finance & Economic Overview and Scrutiny Committee on 17 July 2024.

11. Appendices

- 11.1 Appendix A – 2023/24 General Fund Significant Variance Analysis
- 11.2 Appendix B – 2023/24 General Fund Capital Programme – Outturn
- 11.3 Appendix C – 2023/24 General Fund Reserves Statement
- 11.4 Appendix D – 2023/24 HRA Revenue Significant Variance Analysis
- 11.5 Appendix E – 2023/24 HRA Capital Programme – Outturn

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2023/24 General Fund Revenue Significant Variance Analysis**General Fund Revenue – Significant Variances Commentary**

Explanation of Significant Variances	£'000
Utilities – Electricity & Gas The budget assumptions that were built into 2023/24 were greater than the actual increases that were experienced during the year. This, coupled with competitive prices that were secured via our supplier procurement framework. This has resulted in an overall underspend of £757k	(757)
Business Rates Following a review of property rateable values, a number have reduced by the Valuation Office Agency resulting in an underspend for 2023/24.	(136)
Fuel A reduction in predicted price increases has resulted in an overall underspend of £173k for 2023/24. The budget was set using an average unit price of 146p per litre but actual prices in year have been between 105p and 130p per litre.	(173)
Salary vacancy factor The Council's salary budgets are prepared with an assumed 3% vacancy factor in order to reflect the turnover of staffing during a financial year. The Council has experienced a positive stable workforce during the year and therefore the overall vacancy factor has not been achieved. This will be reviewed as part of the budget setting for 2024/25.	452
Investment Income Base rate changes have resulted in an increase on the interest rates available for investments. The Council is now able to secure investment interest rates above 5% compared with the budgeted rate of 4%.	(832)

Corporate, Governance & Public Protection Service						
Service Area	Current Expenditure Budget (less Budget Carry Forwards and Accounting Adjustments)	Current Income Budget	Current Budget (less Budget Carry Forwards)	2023/24 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2023/24 Outturn Variance
	£	£	£	£	£	%
Corporate Management	470,500	(1,750)	468,750	492,204	23,454	5.0%
Human Resources & Organisational Development	450,860	(7,100)	443,760	383,264	(60,496)	(13.6%)
Legal & Democratic	2,078,341	(400,391)	1,677,950	1,736,096	58,146	3.5%
Ops & Public Protection Mgmt	98,900	0	98,900	103,373	4,473	4.5%
Public Protection	1,763,400	(463,800)	1,299,600	1,188,004	(111,596)	(8.6%)
TOTAL	4,862,001	(873,041)	3,988,960	3,902,942	(86,018)	(2.2%)

Explanation of Significant Variances	£'000
Human Resources & Organisational Development Training – There has been a positive shift towards an in-house training offer and this has resulted in an overall underspend.	(60)
Legal & Democratic Land Charges - A reduction in official searches based on previous years has resulted in an under recovery of income of £90k. This has been partially mitigated by transition funding in relation to the migration of land registry to His Majesty's Land Registry national platform as work on this project has been contained within the existing staffing budget.	58
Public Protection A number of in year vacancies within the service area have resulted in an underspend of £74k. Permanent recruitment has been undertaken for the majority of these roles.	(112)

Finance, Property & Waste Services						
Service Area	Current Expenditure Budget (less Budget Carry Forwards and Accounting Adjustments)	Current Income Budget	Current Budget (less Budget Carry Forwards and Accounting Adjustments)	2023/24 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2023/24 Outturn Variance
	£	£	£	£	£	%
Community Engagement	311,600	(19,000)	292,600	261,338	(31,262)	(10.7%)
Finance	1,709,833	(171,250)	1,538,583	1,724,821	186,238	12.1%
Finance Management	261,292	(16,850)	244,442	269,577	25,135	10.3%
ICT Services	2,186,209	(41,750)	2,144,459	2,194,920	50,461	2.4%
Property Services	4,245,903	(2,482,165)	1,763,738	907,378	(856,360)	(48.6%)
Revenues, Benefits, Customer & Community Services	18,795,100	(18,127,050)	668,050	752,457	84,407	12.6%
Waste Depot	177,000	0	177,000	36,130	(140,870)	(79.6%)
Waste & Markets	5,536,510	(2,615,000)	2,921,510	2,610,295	(311,215)	(10.7%)
TOTAL	33,223,447	(23,473,065)	9,750,382	8,756,917	(993,465)	(10.2%)

Explanation of Significant Variances	£'000
Finance <p>The annual insurance renewal has been procured below the budgeted level resulting in an underspend of £33k.</p> <p>Further procurement support has incurred additional costs of £25k.</p> <p>External audit costs have increased by £116k due to the complexity of the scope of audit now required. The audit fees are set by the Public Sector Audit Appointments, so the Council does not have control over the charges that are incurred.</p> <p>There has been a requirement for an in-year insurance provision increase for additional claims for £110k.</p> <p>No further salary award payments were made following the national settlement and as such, there is a reduction in the required approved funding of £86k.</p> <p>The corporate restructure implemented on 1 October 2023 has resulted in a gross saving of £88k.</p>	186
ICT Services <p>Costs for additional data links to the new Council offices have been mitigated by roles remaining vacant whilst the service area has undergone structure changes.</p>	50

There has been a number of licences which have had price increases above that budgeted. Budgets have been re-based for 2024/25 where applicable.	
Property Services Utilities – There have been significant savings achieved in respect of electricity, gas and Business rates. Car parking income has increased by £129k against budgeted levels with an increase particularly in all day parking sessions at St Leonards Street, Stamford and Welham Street, Grantham.	(856)
Revenues, Benefits & Customer Services The number of summonses being issued has reduced and the summons cost the Council is able to charge has been reduced by Government which have resulted in a net reduction in court cost income of £66k. Further audit work undertaken within the service area has increased costs by £55k and there have been a number of other minor variances.	84
Waste Depot The remaining approved revenue budget of £141k will be carried forward to contribute towards the costs that will be incurred as the project progresses.	(141)
Waste & Markets Commercial Waste - (net additional income £120k) additional income of £186k has been forecast because of in year price increases and continued growth in the customer base since the budget was set. The customer base has now stabilised with little capacity for further growth without significant additional investment in the service. Garden Waste - Additional income of (£65k) has been received with 30,575 households renewing their subscription for 2023/24 (29961 at this point last year) and 823 new households joining the service.	(240)

Growth & Culture						
Service Area	Current Expenditure Budget (less Budget Carry Forwards and Accounting Adjustments)	Current Income Budget	Current Budget (less Budget Carry Forwards and Accounting Adjustments)	2023/24 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2023/24 Outturn Variance
	£	£	£	£	£	%
Arts & Culture	1,918,616	(1,070,250)	848,366	643,444	(204,922)	(24.2%)
Building Control	1,018,000	(859,400)	158,600	85,773	(72,827)	(45.9%)
Communications	335,544	(4,300)	331,244	278,269	(52,975)	(16.0%)
Culture & Leisure Mgmt	304,134	0	304,134	307,178	3,044	1.0%
Development & Policy	1,762,266	(1,453,100)	309,166	(10,069)	(319,235)	(103.3%)
Economic Development	1,142,387	(1,491,687)	(349,300)	(302,634)	46,666	(13.4%)
Growth Management	241,700	0	241,700	251,983	10,283	4.3%
Leisure	814,900	(145,550)	669,350	415,043	(254,307)	(38.0%)
Parks & Open Spaces	541,075	(121,450)	419,625	661,055	241,430	57.5%
Street Scene	175,375	(54,500)	1,699,250	1,487,280	(211,970)	(12.5%)
TOTAL	9,832,372	(5,200,237)	4,632,135	3,817,321	(814,814)	(17.6%)

Explanation of Significant Variances	£'000
Arts & Culture <p>There has been a modest reduction in cinema activity which has seen a reduction of screenings from 591 screenings to 392 screenings. This is in line with the national picture for cinema operators. This reduction in income has been partially mitigated by a related reduction in casual staff wages.</p> <p>Utilities – A reduction in the utility costs has resulted in a budget underspend of £173k.</p>	(205)
Building Control <p>Vacancies held in year due to the current economic climate have mitigated the loss of fee income received.</p>	(73)
Communications <p>Establishment roles remaining vacant in-year due to a service area restructure has resulted in underspends.</p>	(53)

<p>Development & Policy</p> <p>Statutory planning application fees increased in Quarter 4 by 25% and 35% for Major applications. Additionally, the Council has received several major planning applications in the last quarter including two solar farms which has increased the planning income by £281k. In year vacancies have resulted in an underspend of £54k.</p>	(319)
<p>Leisure</p> <p>Grant funding of £344k has been received from Sports England – (Swimming Pool Support Fund) to contribute towards the increased utilities and pool chemical costs and was used to offset against the management fee for LeisureSK Ltd.</p>	(254)
<p>Parks & Open Spaces</p> <p>£100k of the budgeted savings were not achieved during the financial year as there are further reviews required in respect of grounds maintenance, Street Scene and Waste Services. These reviews will be undertaken during 2024/25.</p> <p>Assets were transferred to Stamford Town Council during 2023/24 which included the remaining special expense reserve balance of £117k. This will be funded below the net cost of service line.</p>	241
<p>Street Scene</p> <p>In accordance with the report presented to Cabinet in February 2023, £149k of establishment savings have been identified following the integration of the Grounds Maintenance and Street Cleansing teams.</p> <p>There have been ongoing fuel savings as referenced in the table of the Appendix.</p>	(211)

Housing & Projects						
Service Area	Current Expenditure Budget (less Budget Carry Forwards and Accounting Adjustments)	Current Income Budget	Current Budget (less Budget Carry Forwards and Accounting Adjustments)	2023/24 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2023/24 Outturn Variance
	£	£	£	£	£	%
Centralised & Business Support	481,700	(3,200)	478,500	485,131	6,631	1.4%
Corporate Projects & Performance	867,500	(140,400)	727,100	452,673	(274,427)	(37.7%)
Health & Safety	132,000	0	132,000	143,776	11,776	8.9%
Housing Services	2,103,307	(1,875,360)	227,947	(492,501)	(720,448)	(316.1%)
TOTAL	3,584,507	(2,018,960)	1,565,547	589,079	(976,468)	(62.4%)

Explanation of Significant Variances	£'000
<p>Corporate Projects & Performance</p> <p>The 14 schemes within the Blue/Green Witham Corridor project have all been delivered and an independent summative assessment was completed and approved by the awarding bodies. In year secondments from within the service area and in year vacancies have increased the underspend by £42k.</p> <p>Income of £22k has been received from the electric charging vehicle points within car parks.</p>	(274)
<p>Housing Services</p> <p>Homelessness – this remains a revenue pressure due to the ongoing demand for temporary housing support. During the year the Council has received additional one-off funding which has eased the financial situation and specifically an Afghan resettlement Grant of which £695k will be carried forward into 2024/25 to continue to provide funding support.</p>	(720)

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2023/24 General Fund Capital Significant Variance Analysis

Corporate Governance & Public Protection					
Project	2023/24 Current Budget	2023/24 Current Budget (less Budget Carry Forwards)	2023/24 Provisional Outturn	Variance to Current Budget	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	%
Disabled Facilities Grant	1,460	1,200	1,200	0	0.00%
CCTV	353	0	0	0	0.00%
Total	1,813	1,200	1,200	0	0.00%

Explanation of Significant Variances (before carry forward approved)	£'000
Disabled Facilities Grant Works were committed in 2023/24 but challenges with contractor capacity means works will be completed during the early part of the 2024/25 financial year. The full amount of the underspend has been requested as a budget carry forward.	(260)
CCTV Whilst this project is progressing well, there are currently final pricing revisions from BT for the upgrade of the current CCTV network. The project is scheduled to be completed during 2024/25.	(353)

Finance, Property & Waste					
Project	2023/24 Current Budget	2023/24 Current Budget (less Budget Carry Forwards)	2023/24 Provisional Outturn	Variance to Current Budget	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	%
Financial System Upgrade	274	274	306	32	11.7%
Wheelie Bin Replacements	127	127	97	(30)	(23.6%)
Trade Waste Bins	48	48	0	(48)	(100.0%)

Street Scene Vehicle Procurement	617	439	439	0	0.0%
Vehicles Replacement Programme	920	690	690	0	0.0%
Stadium - Boiler	81	81	77	(4)	(4.9%)
Bourne Leisure Centre – Boiler	98	98	98	0	0.0%
SK Community Access - Boiler	77	77	77	0	0.0%
Guildhall Arts Centre – Boiler	107	0	0	0	0.0%
Cycle Shelter & Changing	40	0	0	0	0.0%
Stamford Arts Centre – Roof	351	351	299	(52)	(14.8%)
Welham Street Car Park	345	100	121	21	21.0%
Guildhall Arts Centre – Roof	200	0	0	0	0.0%
Cattle Market, Stamford – Extension	70	20	21	1	5.0%
Property Maintenance	158	0	0	0	0.0%
Empingham Road Outdoor Gym	55	0	0	0	0.0%
Empingham Road – S106 Grants	248	20	20	0	0.0%
Depot	8,224	224	369	145	64.7%
Changing Places – South Street	40	40	67	27	67.5%
Changing Places – Abbey Gardens	40	40	65	25	62.5%
Changing Places - Stamford	40	0	0	0	0.0%
Long Bennington PC	27	0	0	0	0.0%
TOTAL	12,187	2,629	2,746	117	4.5%

Explanation of Significant Variances (before budget carry forward approved)	£'000
Street Scene Vehicle Procurement	
Due to supplier delays in delivering the vehicles during the financial year, there is a	(178)

requirement to carry the budget into 2024/25.	
Guildhall Arts Centre – Boiler Replacement Works have been instructed but the lead in period for the boiler replacement will require the budget to be carried forward into not started in 2023/24. The project will be completed early 2024/25.	(107)
Stamford Arts Centre – Roof Repairs These works have been completed during 2023/24 and there a minor underspend on the roof replacement programme. provide funding for any retention remaining on the original roofing contract works.	(52)
Guildhall Arts Centre – Roof Repairs The contract for these works have been works have been commissioned and preparatory works are underway including we are working with external consultants to bring forward listed building consent and road closure orders. The works are scheduled to commence in September and so a budget carry forward is requested. This is in addition to the £150k carry forward already approved by Council. Prior to secondary consultation of the works with planning. This has delayed the commencement and work will now start in 2024/25 financial year. Funding to be requested to be carried forward.	(50)
Property Maintenance Due to the significant backlog issues facing the General Fund portfolio, it is requested that the remaining property maintenance budget is carried forward into 2024/25.	(158)

Growth & Culture					
Project	2023/24 Current Budget £'000	2023/24 Current Budget (less Budget Carry Forwards) £'000	2023/24 Provisional Outturn £'000	Variance to Current Budget £'000	2023/24 Outturn Variance %
Future High Street Fund	5,190	183	183	0	0.0%
Shop Front Scheme	125	125	19	(106)	(84.8%)
Heritage Action Zone – Grantham	107	107	142	35	32.7%
UKSPF – Mobile Food Hub	102	52	52	0	0.0%

UKSPF – Connected Towns	244	0	0	0	0.0%
SK Prosperity Fund	125	0	0	0	0.0%
Gonerby Hill Foot – Play Park	119	119	119	0	0%
CLHF Orchards	46	0	0	0	0.0%
Meres Leisure Centre – Pool Covers	93	0	0	0	0.0%
Bourne Leisure Centre – Pool Covers	67	0	0	0	0.0%
Stamford Leisure Centre – Pool Covers	72	0	0	0	0.0%
Total	6,290	586	515	(71)	(12.1%)

Explanation of Significant Variances (before budget carry forward approved)	£'000
Future High Street Fund The improvement works at Market Place Grantham is scheduled to due to be completed in 2024/25 and so a full underspend of budget carry to be carried forward is required.	(107)
Shop Front Scheme Due to ongoing negotiations with key heritage buildings located in Grantham Town Centre a budget carry forward is requested. Underspend will be requested as a budget carry forward.	(106)
UKSPF – Mobile Food Hub An additional grant of £50k has been received and will be used in 2024/25	(50)
UKSPF – Connected Towns Negotiations are currently underway with final pricing revisions from BT for the upgrade of the current CCTV network. The project is due to be completed during 2024/25 and a budget carry forward is requested.	(244)
SK Prosperity Fund Applications that Members have recommended and have been approved will progress into the new financial year and therefore a budget carry forward is requested.	(125)
Leisure Centre Pool Covers The purchase and installation of the pool covers is progressing but due to the lead in times a budget carry forward is requested of the external funding received.	(232)

Housing & Property					
Project	2023/24 Current Budget £'000	2023/24 Current Budget (less Budget Carry Forwards) £'000	2023/24 Provisional Outturn £'000	Variance to Current Budget £'000	2023/24 Outturn Variance %
Sustainable Warmth Grant	1,430	1,430	372	(1,058)	(74.0%)
St Martins Park, Stamford	10	0	0	0	0.0%
Decarbonisation Scheme	261		0	0	0.0%
Total	1,701	1,430	372	(1,058)	(74.0%)

Explanation of Significant Variances (before budget carry forward approved)	£'000
Sustainable Warmth Grant Low take up of the scheme despite an extensive publicity campaign and a low number of applicants matching the grant criteria. However energy improvements have been carried out on 74 properties within the grant period. The unused funding will be returned to Department for Energy Security and Net Zero.	(1,058)
Decarbonisation Scheme This budget will be required for match funding as the Council was successful in securing grant funding of £3.6m for energy improvement works at the Meres Leisure Centre. A full budget carry forward to 2024/25 will be required.	(261)

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General Fund Reserves 2023/24

	Description	Actual Balance as at 31 March 2023 £'000	Provisional movement £'000	Provisional Balance as at 31 March 2024 £'000
	Discretionary Reserves			
1	Climate Change	331	90	421
2	Training and Development	15	0	15
3	Street Scene	331	(35)	296
4	ICT investment	499	(248)	251
5	Local Priorities Reserve	5,507	296	5,803
6	Invest to Save	816	(13)	803
7	Housing Delivery	2,105	(1,687)	418
8	Property Maintenance	1,285	(107)	1,178
9	A1 Litter	0	60	60
10	Deepings Leisure	0	850	850
11	Leisure Investment	0	200	200
12	Regeneration	1,199	(435)	764
		12,088	(1,029)	11,059
	Governance Reserves			
13	Insurance Reserve	211	0	211
14	Pensions Reserve - Former Employees	277	(33)	244
15	Budget Stabilisation	3,154	(273)	2,881
16	Business Rates Volatility Reserve	2,031	(740)	1,291
17	Pay Award Reserve	500	(500)	0
18	Revenue Grants	72	92	164
19	Building Control Reserve	84	(22)	62
20	Football 3G Pitch - Meres	150	25	175
21	Special Expense Area Reserve	339	(155)	184
22	Flood Reserve	0	30	30
		6,818	(1,576)	5,242
23	Total General Revenue Reserves	18,906	(2,605)	16,301
24	Government Grants Received	1,064	1,205	2,269
25	Working Balance*	1,986	(44)	1,942
26	Total Revenue Reserves	21,956	(1,444)	20,512
	Capital Reserve			
26	LAMS Reserve	18	(18)	0
27	General Fund Capital Reserve	34	18	52
28	Useable Capital Receipts Reserve	2,943	(559)	2,943
29	Total Capital Reserves	3,554	(559)	2,995
30	Total General Fund Reserves	25,511	(2,003)	23,507

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

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2023/24 HRA Revenue Significant Variance Analysis

Service Area	2023/24 Current Budget	2023/24 Current Budget (less Budget Carry Forwards)	2023/24 Provisional Outturn	Variance to Current Budget	2023/24 Outturn Variance
	£	£	£	£	%
Expenditure	21,718	21,451	22,673	1,222	5.7%
Income	(28,403)	(28,403)	(27,945)	458	1.6%
Net Cost	(6,685)	(6,952)	(5,272)	1,680	24.2%
Other Costs	1,578	1,578	(451)	(2,029)	(129.0%)
TOTAL	(5,107)	(5,374)	(5,723)	(349)	(6.5%)

Explanation of Significant Variances	£'000
Repairs & Maintenance <ul style="list-style-type: none"> Void works, compliance works and heating have incurred an additional spend of £450k. Additional works required on adaptations have incurred an overspend of £88k £23k additional costs were due to the level of disrepair claims. The move to new office accommodation resulted in additional costs of £54k An additional £41k was required for software costs. During the year a temporary restructure was put in place which incurred additional costs of £41k. 	871
Supervision & Management – General £56k less expenditure on court and legal fees. £40k less on Tenancy Business IT	(96)
Supervision & Management - Special Due to the sheltered housing review the floor coverings budget was not required, £18k. Procurement of a window cleaning contract was delayed £30k. Lifeline costs were reduced by £45k as new systems were installed through the capital project.	(165)
Depreciation & Impairment Additional depreciation and impairment costs as a result of increased property values.	707
Income Void rates averaging 3% throughout the year incurred a loss of rental income circa £460k.	458
Other Costs Investment income - Base rate changes have resulted in an increase on the interest rates available for investments. The Council is now able to secure investment interest rates above 5% compared with the budgeted rate of 4%.	(2,029)

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2023/24 HRA Capital Significant Variance Analysis

Energy Efficiency					
Project	2023/24 Current Budget	2023/24 Current Budget (less Budget Carry Forwards)	2023/24 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	%
Heating & Ventilation	5,474	5,474	2,576	(2,898)	(52.9%)
Total	5,474	5,474	2,576	(2,898)	(52.9%)

Explanation of Significant Variances	£'000
Heating & Ventilation During the year 202 new heating systems were installed. However, there were operational challenges with the contractor which caused a delayed start to the programme. This has resulted in a significant underspend in 2023/24 but there is sufficient budget in future years for works to be completed. In addition, delays in the contracts in connection with the Social Housing Decarbonisation Fund and asbestos surveys also resulted in an underspend in this budget line. All are on track to be delivered in 2024/25.	(2,898)

ICT					
Project	2023/24 Current Budget	2023/24 Current Budget (less Budget Carry Forwards)	2023/24 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	%
Housing System Enhancements	630	514	514	0	(0.0%)
Choice Based Lettings	110	51	51	0	(0.0%)
TOTAL	740	565	565	0	(0.0%)

Explanation of Significant Variances (before carry forward approved)	£'000
Housing System Enhancements	(116)
Project is due to be completed in 2024/25. Budget carry forward required for final costs.	
Choice Based Lettings	(59)
Project is due to be completed in 2024/25. Budget carry forward required for final costs.	

New Build Programme					
Project	2023/24 Current Budget	2023/24 Current Budget (less Budget Carry Forwards)	2023/24 Provisional Outturn (less Accounting Adjustments)	Variance to Current Budget	2023/24 Outturn Variance
	£'000	£'000	£'000	£'000	%
New Build Properties	5,500	4,500	1,173	(3,327)	(73.9%)
Total	5,500	4,500	1,173	(3,327)	(73.9%)

Explanation of Significant Variances (before carry forward approved)	£'000
New Build Properties	(3,327)
Whilst a number of key projects have been undertaken during 2023/24 and progress of these are presented to the Housing Overview and Scrutiny Committee regularly during the year. Budget carry forward of £1m requested for completion of the current projects. There is sufficient budget in 2024/25 for further projects.	

Local Authority Housing Fund

Project	2023/24 Current Budget £'000	2023/24 Current Budget (less Budget Carry Forwards) £'000	2023/24 Provisional Outturn (less Accounting Adjustments) £'000	Variance to Current Budget £'000	2023/24 Outturn Variance %
Local Authority Housing Fund	4,483	3,861	3,861	0	0.0%
Total	4,483	3,861	3,861	0	0.0%

Explanation of Significant Variances (before carry forward approved)	£'000
Local Authority Housing Fund	(3,327)
Budget carry forward required to provide funding for the committed acquisitions of properties under the LAHF scheme	

Refurbishment & Improvements					
Project	2023/24 Current Budget £'000	2023/24 Current Budget (less Budget Carry Forwards) £'000	2023/24 Provisional Outturn (less Accounting Adjustments) £'000	Variance to Current Budget £'000	2023/24 Outturn Variance %
Electrical Rewires	1,369	1,369	2,217	848	61.9%
Passenger Lifts	700	144	144	0	0.0%
Alarms	125	125	160	35	28.0%
Fire Prevention	1,035	410	410	0	0.0%
Compliance Works	100	1	1	0	0.0%
Roofing	1,069	1,069	174	(895)	(83.7%)
Kitchen Refurbishments	1,119	1,119	1,375	256	22.9%

Bathroom Refurbishments	1,200	1,068	1,068	0	0.0%
Replacement Door Programme	1,014	1,014	1,200	187	18.4%
Communal Rooms	115	0	0	0	0.0%
Door Entry System	100	100	135	35	35.0%
Structural Refurbishments	150	150	268	118	78.7%
Fencing	350	88	88	0	0.0%
External Wall Finishes	625	524	524	0	0.0%
Total	9,071	7,181	7,765	584	8.1%

Explanation of Significant Variances (before carry forward approved)	£'000
Electrical Rewires 243 rewires were completed during the year against a planned programme of 267. The overspend resulted from the installation of PV Panels on 122 properties relating to the Social Housing Decarbonisation Fund programme causing an overspend on this budget line however this overspend will be offset by a corresponding underspend on the heating budget programme.	848
Passenger Lifts, Fire Prevention, Compliance Works, Bathroom refurbishments, Fencing and External Wall Finishes All of these schemes commenced during 2023/24 and will continue into 2024/25 and therefore there is a requirement to carry forward these budgets.	(1,775)
Roofing The appointment of a contractor is currently being undertaken, as the first tender process proved unsuccessful. This has caused delays to the work programme however there is sufficient budget available in future years to fund the works.	(895)
Kitchen Refurbishments 187 kitchen refurbishments have been completed during the year. The overspend is a result of higher costs due to increased specification within the Earlesfield project.	256
Replacement Door Programme 188 replacement doors and windows have been completed during the year. The overspend is a result of higher costs due to increased specification within the Earlesfield project.	187
Structural Refurbishments Full structural surveys have been carried out on various defective properties throughout the district. This led to essential works that were greater than the budget which resulted in an overspend.	118

Other Works					
Project	2023/24 Current Budget £'000	2023/24 Current Budget (less Budget Carry Forwards) £'000	2023/24 Provisional Outturn (less Accounting Adjustments) £'000	Variance to Current Budget £'000	2023/24 Outturn Variance %
Physical Disabled Adaptations	300	300	314	14	4.7%
Total	300	300	314	14	4.7%

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**SOUTH
KESTEVEN
DISTRICT
COUNCIL**



Governance and Audit Committee

16 July 2023

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

Proposed amendments to the Council's Constitution

Report Author

Graham Watts, Assistant Director of Governance and Public Protection (Monitoring Officer)

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Purpose of Report

This report provides the Governance and Audit Committee with an opportunity to consider proposed amendments to the Council's Constitution and make any recommendations to Full Council for approval.

Recommendations

- 1. That the Governance and Audit Committee recommends the following constitutional amendments to Full Council:**
 - a) Provision of a public open forum at meetings of Cabinet.**
 - b) Provision of Member questions at meetings of Cabinet.**
 - c) Provision of Member questions at the annual meeting of Full Council.**
- 2. The Governance and Audit Committee is also invited to consider the establishment of a Policy Committee.**

Decision Information

Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	High performing Council
Which wards are impacted?	All or insert specific ward(s)

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 Procurement

- 1.1 The introduction of a new Policy Committee will incur an additional Special Responsibility Allowance for the Chairman and Vice-Chairman of the Committee. Based upon the same allowances for Overview and Scrutiny Committees, this would equate to additional costs of £8,469 per annum for 2024/25 which is not currently included in the budget.

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

Legal and Governance

- 1.2 There are no significant legal or government implications arising from the proposals outlined in recommendation 1.
- 1.3 In relation to recommendation 2 and the proposal to introduce a Policy Committee as part of the Council's decision-making structure, there is already provision for the consideration of policy issues within the terms of reference for Overview and Scrutiny Committees. This is set out in the Overview and Scrutiny Procedure Rules in Part 4 (Rules of Procedure) of the Council's Constitution which states that the role of Overview and Scrutiny Committees is to:
- (j) Assist the Council and Cabinet in the development of its Budget and Policy Framework through in-depth analysis of policy issues
 - (k) Conduct research, community and other consultation in the analysis of policy issues and possible options

- (l) Consider and implement mechanisms to encourage and enhance community participation in the development of policy options
 - (m) Question Cabinet Members about their views on policy proposals and receive advice and information from Officers
- 1.4 Each Overview and Scrutiny Committee is already responsible for specific service areas delivered by the Council, and is therefore responsible for the policy development associated with these respective service areas. The introduction of a separate Policy Committee may therefore potentially impact the remit and work programmes of each Overview and Scrutiny Committee.

Completed by: Graham Watts, Monitoring Officer

2. Background to the Report

- 2.1 The Governance and Audit Committee is required to consider any proposed amendments to the Council's Constitution before Full Council is able to approve them, unless there is alternative provision elsewhere in the Constitution.
- 2.2 A number of proposed amendments to the Constitution are included within this report for the Committee's consideration.

3. Key Considerations

Public open forum and questions from Members at Cabinet

- 3.1 The Leader of the Council has requested that the Council's Cabinet Procedure Rules be amended to allow for the provision of public speaking.
- 3.2 It is therefore recommended that a new paragraph (8) be added to the Cabinet Procedure Rules, to replicate the public speaking rules followed at Overview and Scrutiny Committees, as follows:

8. Public speaking

- 8.1 *Members of the public may make a statement or ask any question, subject to paragraph 8.7, during a period of up to 30 minutes set aside at the start of the meeting.*
- 8.2 *In respect of extraordinary meetings, members of the public may make a statement or ask any question, subject to paragraph 8.7, at the commencement of the item being considered for a period of up to 30 minutes.*

- 8.3 *Notice of any statement to be made or question to be asked must be given by delivering it in writing or by electronic mail to Democratic Services at least one working day before the day of the meeting. Each notice must give the name and contact details of the speaker or questioner.*
- 8.4 *Questions will be asked and speeches made in the order in which notice of them was received, except that the Leader, or person presiding the meeting, may group together similar questions or items to be spoken on. Each question or speech will be subject to a total time limit of five minutes.*
- 8.5 *A questioner who has put a question in person may also put one supplementary question without notice to the member who has replied to their original question. A supplementary question must arise directly out of the original question or the reply. The Leader, or person presiding the meeting, may reject a supplementary question on any of the grounds in paragraph 8.7 or if the time limit for public questions has expired.*
- 8.6 *At any one meeting no person or organisation may submit more than two questions or statements on more than two items on the agenda of the relevant meeting and no more than six such questions or speeches will be tabled or delivered at any one meeting. If more than six notices of intention to speak are received, the first six received will be invited to attend to speak. Any questions tabled for that same meeting will be dealt with by way of written response or held over until the next meeting at the request of the questioner or speaker.*
- 8.7 *The Chief Executive may reject a question or prevent the right to speak if it*
- (a) Is not about a matter for which Cabinet has a responsibility*
 - (b) Is defamatory, frivolous, objectionable, improper or offensive Part 4 – Rules of Procedure Page 43 (c)*
 - (c) It is substantially the same as a question which has been put by a member of the public at a meeting of Cabinet the past six months (d) Requires disclosure of confidential or exempt information*
- 8.8 *A record of statements and questions made and any responses to them will be recorded in the minutes of the meeting.*
- 3.3 The Leader of the Council has also requested that the Council's Cabinet Procedure Rules be amended to allow for the provision of questions from members at any meeting of Cabinet, in the same manner as facilitated at meetings of Full Council.
- 3.4 It is therefore proposed that a new paragraph (9) be added to the Cabinet Procedure Rules, as follows:

9. *Open Questions by Councillors*

- 9.1 *Time allowed for questions will be at the Leader's discretion, or that of the person presiding the meeting.*
- 9.2 *Questions will only be addressed to the Leader of the Council, Deputy Leader of the Council or individual Cabinet Members.*
- 9.3 *Questions will be on a first come, first served basis.*
- 9.4 *Supplementary questions and the number of questions permitted by an individual Councillor will be at the discretion of the Leader, or the person presiding the meeting.*
- 9.5 *Questions will not be recorded verbatim in the minutes of Cabinet meetings. Details in the minutes will consist of the Councillor who asked the question, a brief summary of the question and the response provided.*
- 9.6 *A question will be rejected by the Leader, or person presiding the meeting, if:*
- *It is not about a matter for which the District Council has a responsibility, or which directly affects the district*
 - *It is of a defamatory, frivolous, objectionable, improper or an offensive nature*
 - *It is substantially the same as a question which has been put at a meeting of Cabinet in the past six months*
 - *The answer requires disclosure of confidential or exempt information*

Public open forum at the annual meeting of Full Council

- 3.4 Public speaking is not currently included on the list of prescribed items for the annual meeting of the Council, as set out in paragraph 2 of Council Procedure Rules.
- 3.5 It is proposed that the below provision be included as a new paragraph 2.2 (g) to mirror the process followed at ordinary meetings of Full Council to facilitate public speaking:
- (g) *Receive questions and statements from the public in accordance with Council Procedure Rule 11*

Establishment of Policy Committee

- 3.6 The Cabinet Member for Corporate Governance and Licensing has requested that due consideration be given to the introduction of a Policy Committee which will be responsible for all policy development activity in relation to the Council.
- 3.7 This proposal reflects the significant workload of the Council's Overview and Scrutiny Committees, the focus of which is predominantly on financial and performance monitoring as well as undertaking pre-decision scrutiny and holding decision-takers to account. The Cabinet Member suggests that the policy development and review aspect of the Overview and Scrutiny Committee's remit is not as prominent as it could be and therefore believes a separate Policy Committee will provide sufficient focus to this important aspect of the Council.
- 3.8 It is therefore proposed that the Governance and Audit Committee gives due consideration to introducing a Policy Committee as part of the Council's committee structure. Should the Governance and Audit Committee agree to formally recommend this proposal to Full Council, it is suggested that the Council's Monitoring Officer, in consultation with the Cabinet Member for Corporate Governance and Licensing, be delegated authority to develop the draft terms of reference for the new Policy Committee.

4 Other Options Considered

- 4.1 Not to make any amendments to parts of the Constitution identified in this report.
- 4.2. To recommend any other amendments to the Council's Constitution.

5. Reasons for the Recommendations

- 5.1 The recommendations contained within this report reflect requests received to amend specific parts of the Council's Constitution.

Governance and Audit Committee Work Plan 2024-2025

Committee Membership:
Chairman: Councillor Tim Harrison
Vice-Chairman: Councillor Helen Crawford

Item	Current Issues/Status	Outcome Sought
24 September 2024		
Internal Audit Progress Report	Update from the Council’s Internal Auditors	To review and note the contents of the report
LSCP Report 23/24	Safeguarding Update for 23/24.	To review the report.
Treasury Management Activity Updates	Update on treasury and debt management operations during the financial year.	To review and note the contents of the report.
Strategic Risk Register	The Strategic Risk Register is presented to the Committee bi-annually as part of the monitoring and review of the risk management arrangements.	To review and consider approving the Strategic Risk Register.
Risk Management Annual Report 23/24	The Annual Report on Risk Management Procedure and Policy.	To review and note the contents of the report.
Risk Management Framework 2024/2026	A presentation of the Risk Management Framework 2024/2026	To review and note the contents of the report.
Health and Safety Annual Report 2023/2024	Report to give an overview of the health and safety management arrangements within South Kesteven District Council and identify key areas of focus.	To review and note the contents of the report.
Ombudsman Annual Report 2023/2024	Annual review of complaints received and decisions made from the Local Government Ombudsman Letter.	To review and note the contents of the report.

Item	Current Issues/Status	Outcome Sought
27 November 2024		
Internal Audit Progress Report	Update from the Council's Internal Auditors	To review and note the contents of the report
Annual Governance Report	Report outlining the key findings arising from the statutory audit of South Kesteven District Council.	To review and note the contents of the report.
Internal Audit Progress Report	Update from the Council's Internal Auditors	To review and note the contents of the report
Statement of Accounts 2023/2024	To be approved each year by the statutory deadline.	To approve the 2023/2024 Statement of Accounts and their publication on the Council's website.
Annual Governance Statement	To consider the Draft Annual Governance Statement for 2023/2024	To consider approving the Draft Annual Governance Statement for 2023/2024
Review of Effectiveness and Terms of Reference	Consider the outcome of a self-assessment of the effectiveness of the Committee's work.	To consider amending Terms of Reference
Safeguarding Report 2023/2024	An overview of the Council's involvement in the safeguarding of children, young people and vulnerable adults for 2023/2024.	To review and note the contents of the report.
Review Appointments to LeisureSK Limited	6 monthly review of Director appointments to LeisureSK Limited	To consider the report and any recommendations.
22 January 2025		
Internal Audit Progress Report	Update from the Council's Internal Auditors	To review and note the contents of the report

Item	Current Issues/Status	Outcome Sought
Indicative Internal Audit Plan 2025/2026	Internal Audit to present the indicative Internal Audit Plan for 2025/2026.	To review and note the contents of the report.
Treasury Management Activity Updates	Update on treasury and debt management operations during the financial year.	To review and note the contents of the report.
Treasury Management Strategy	Monitor the Council's Treasury Management Strategy.	Monitor, review and amend as appropriate.
19 March 2025		
Internal Audit Progress Report	Update from the Council's Internal Auditors	To review and note the contents of the report
Annual Report on Grants and Returns	To review activity from grants and returns for the year.	To review and note the contents of the report.
Indicative Internal Audit Plan 2025/2026	Internal Audit to present the indicative Internal Audit Plan for 2025/2026.	To agree the Plan for 25/26
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.
Strategic Risk Register	The Strategic Risk Register is presented to the Committee bi-annually as part of the monitoring and review of the risk management arrangements.	To review and consider approving the Strategic Risk Register.
Review of RIPA Programme	Annual review of RIPA activity	To review and note the contents of the report.
Items to be allocated as and when required		
Financial Regulations		

Item	Current Issues/Status	Outcome Sought
Constitutional Amendments		
Code of Corporate Governance		
Code of Conduct		
Contract Procedure Rules		
Risk Management Framework		
Committee Members Meeting with Auditors		
Counter Fraud Framework		
Review of Subject Access Requests		