

Governance and Audit Committee



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Wednesday, 19 March 2025 at 10.00 am
Council Chamber - South Kesteven House, St. Peter's Hill,
Grantham. NG31 6PZ

Committee Councillor Tim Harrison (Chairman)
Members: 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 13 February 2025** (Pages 3 - 10)
4. **Internal Audit Follow Up Report** (Pages 11 - 25)
To review and note the update on the implementation of internal audit actions
5. **Draft Internal Audit Plan 2025/26** (Pages 27 - 57)
To approve the internal audit plan for 2025/26

6. **2024/25 Accounting Policies and Publication Date of the Statement of Accounts** (Pages 59 - 75)
In line with the Committee's terms of reference, the Council's Accounting Policies are reviewed annually, prior to the preparation of the Statement of Accounts, to ensure that they are up to date and in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code)

7. **Treasury Management Report Q3 2024/25** (Pages 77 - 84)
The Q3 Report is a requirement of the Council's reporting procedures and provides a summary of the Treasury activities to the end of December 2024. The report also covers the actual position to date on the Prudential Indicators in accordance with the Prudential Code.

8. **Strategic Risk Register including Emerging Risk Radar** (Pages 85 - 115)
To provide an update to the Strategic Risk Register including the Emerging Risk Radar

9. **Regulation of Investigatory Powers Act Policy** (Pages 117 - 127)
To undertake an annual review of the Council's Regulation of Investigatory Powers Act Policy.

10. **Appointment of LSK Ltd Directors** (Pages 129 - 132)
To note the resignation of the Chairman of the LeisureSK Limited Board from 31 March 2025 and consider the appointment of a new Director of LeisureSK Limited.

11. **Work Programme 2025 - 2026** (Pages 133 - 134)
To consider the Committee's Work Programme for 2025 – 2026.

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

Meeting of the Governance and Audit Committee

Thursday, 13 February 2025, 2.00
pm



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present	Cabinet Members present
Councillor Tim Harrison (Chairman)	Councillor Ashley Baxter
Councillor Helen Crawford (Vice-Chairman)	Councillor Philip Knowles
Councillor Charmaine Morgan	Councillor Phil Dilks
Councillor Peter Stephens	
Councillor Paul Stokes	
Councillor Mark Whittington	
Alan Bowling	
Officers	Other Members present
Graham Watts, Assistant Director (Governance and Public Protection) and Monitoring Officer	Councillor Rob Shorrock
Alison Hall-Wright, Director of Housing and Projects	Councillor Habibur Rahman
David Scott, Assistant Director of Finance and Deputy Section 151 Officer	Councillor Rhea Rayside
Debbie Nicholls, Armed Forces Covenant Officer	
Joshua Mann, Democratic Services Officer	
Salma Younis, External Auditor	
John Blewett, External Auditor	

Before the commencement of items on the agenda the Leader made a statement to reflect that South Kesteven District Council (SKDC) had received a freedom of information (FOI) request regarding the funding and costs of the public toilets on Conduit Lane, Grantham. Whilst a response to the FOI request had been issued, the Leader stated that he was looking into the legality of releasing further information and would liaise with the relevant team.

The Chairman also referenced the previous meeting of the Governance & Audit Committee where the Chairman voluntarily relinquished to the Vice-Chairman for the remainder of the meeting. Confirmation was given that the matter had been fully dealt with and was now closed.

65. Apologies for absence

An apology for absence was received from Councillor Sue Woolley.

Apologies for absence were also received from Councillor Bridget Ley, substituted by Councillor Rhys Baker.

66. Disclosure of interests

No interests were disclosed.

67. Minutes of the meeting held on 22 January 2025

The minutes of the meeting held on 22 January 2025 were proposed, seconded and AGREED as an accurate record.

68. ISA 260 Report

The ISA 260 Report was presented by the representatives from KPMG, the external auditor.

The external auditors noted that the findings of the report were positive with no uncorrected audit misstatements.

The report did note the following five significant audit risks:

Fraud risk – expenditure recognition	-	Testing over expenditure completeness was ongoing, however, no issues were identified from the testing so far.
Management override of controls	-	No instances of management override of control had been identified from testing.
Valuation of land and buildings	-	The external auditors critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of land and buildings was based. They concluded that the assumptions used in the valuation of land and buildings were balanced.
Valuation of investment property	-	The external auditors critically assessed the key underlying assumptions underpinning the valuation on which the carrying value of investment properties was based. They concluded that the assumptions used in the valuation of investment properties were balanced.

Valuation of post-retirement benefit obligations	- No issues identified from the testing over the valuation. KPMG actuaries have assessed the assumptions used and concluded these were within expected range.
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It was also confirmed that, whilst there were no significant control deficiencies, five medium control deficiencies were identified regarding the following:

- Journals postings – Segregation of duties
- Review of bank reconciliations
- Management review of Valuations of Land and Buildings and Investment Properties
- Management review of Actuarial Assumptions
- Management review of Manual Accruals

For each of the above control deficiencies identified, the impact of the issue was outlined, alongside a recommendation. The report also encapsulated a management response, identified the relevant officer and established a due date.

During discussions, Members commented on the following:

- Members praised the audit and noted that the positive findings paid testament to the financial systems operated by SKDC.
- A Member noted that there had been a substantial increase in fees for the audit to be undertaken. It was noted that the level of fees were not set by the external auditors, rather by Public Sector Audit Appointments Ltd (PSAA) who set fee levels sector wide in consultation with the Local Government Association (LGA).
- It was queried whether the targets and recommendations made within the audit report would be retrospectively reviewed following the appropriate action. The external auditors noted that, with deficiencies three and four, the auditors were happy for SKDC to continue with the existing arrangements and would not seek to raise them in subsequent years. The other deficiencies identified required a period to allow for the implementation of the new finance system of which the external auditors agreed to be available to support with the control environment.
- It was confirmed that the number of outstanding recommendations from the control deficiencies was zero.
- It was noted that determinations indicated by the reasonable range scale only applied to instances where the assessments of assumptions were fundamentally financial.

The Committee noted the findings of the ISA 260 report.

69. Statement of Accounts and Annual Governance Statement 2023/24

The Statement of Accounts and Annual Governance Statement 2023/24 was presented by the Assistant Director of Finance who expressed their satisfaction that SKDC's annual statement of accounts demonstrated that the council as a whole was in the good financial position. Looking at the balance sheet the overall asset values had risen overall, whilst debts had decreased and money owed. Alongside this the overall level of reserves have remained at a similar level to that in 2022/23 which demonstrated the financial health of SKDC.

The external auditor confirmed the conclusion of the Value for Money Statement that no significant risks or weaknesses were identified in any of the following domains:

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

During discussions, Members commented on the following:

- Members praised the quality of the council's financial governance and operations reflected positively by the report.
- It was queried whether the external auditors had any advice for SKDC regarding the segregation of duties. The external auditors noted that this was more within the remit of the internal auditors, however, they highlighted that journals should be requested, approved and processed by different individuals, as outlined within the report.
- The Leader noted that they were pleased to see a decrease in termination benefits and energy consumption.

Following discussions, it was proposed, seconded and AGREED that the Committee –

1. Noted the outcome of the audit work undertaken to date by the Council's external auditors KPMG.
2. Delegated authority to the Deputy Chief Executive and s151 Officer (Chief Finance Officer) to make any final wording changes and accounting adjustments following the conclusion of any outstanding audit queries.
3. Delegated approval of the audited Statement of Accounts and the Letter of Representation to the Chairman on behalf of the Governance and Audit Committee in consultation with the Deputy Chief Executive and s151 Officer (Chief Finance Officer) following the completion of the audit of the 2023/24 Statement of Accounts.

70. Proposed Amendments to the Council's Constitution

The proposed amendments to the Council's Constitution were presented by the Cabinet Member for Corporate Governance and Licensing.

Members considered each amendment proposed within the report individually.

Suggested amendment – Removal of the Leader of the Council

Article 7.3 (Leader) of the Council's Constitution stated that:

“The Leader will be a Councillor elected to the position of Leader by Full Council and will hold the office for a four-year term, unless:

- i) They resign from office,
- ii) They are no longer a Councillor,
- iii) Full Council passes a resolution to remove the Leader from office”

It was proposed that paragraph iii) be amended to read: “A Notice of Motion is submitted and Full Council passes a resolution to remove the Leader from office”.

During discussions, Members commented on the following:

- A Member expressed their view that SKDC would be constitutionally restraining itself by endorsing the amendment. They added that reactionary amendments were bad practice, especially when mechanisms already existed within the constitution.
- It was suggested that the mechanism for removal of the Leader should be via an extraordinary meeting. This would allow time for reflection, calmness and cases to be put forward on all sides. Without this, it was suggested that effectively no-confidence votes could be held without prior notice given. This could allow for opportunism depending on the composition of the attendees on that particular day.

Following discussions it was proposed, seconded, and AGREED to formally recommend the above amendment to Full Council.

Suggested amendment – Amendments to motions

Paragraphs 14.6 – 14.12 of Council Procedure Rules set out the procedures associated with amendments to motions. Paragraph 14.6 of Council Procedure Rules stated the following:

“An amendment to a motion must be relevant to the motion and will either be:

- (a) To refer the matter to an appropriate body or individual for consideration
- (b) To leave out words
- (c) To leave out words and insert or add others

(d) To insert or add words

As long as the effect of (b) to (d) does not negate the motion."

It was proposed that the word 'original' be added prior to the word 'motion' on two occasions so that paragraph 14.6 read:

"An amendment to a motion must be relevant to the original motion and will either be:

- (a) To refer the matter to an appropriate body or individual for consideration
- (b) To leave out words
- (c) To leave out words and insert or add others
- (d) To insert or add words

As long as the effect of (b) to (d) does not negate the original motion."

Following discussions, Members commented on the following:

- A Member expressed their view that the effect of an amendment not being able to negate the original motion contradicts the fundamental purpose of an amendment.
- The Monitoring Officer confirmed that a substantive motion would not constitute an original motion within the context of the proposed constitutional amendment.
- It was noted that the interpretation of whether an amendment had negated the original motion resided with the Chairman of the committee.
- A Member noted amendments to be a guise to chip away at a motion rather than voting against it.
- It was confirmed that Lincolnshire County Council (LCC) had a convention that amendments were not raised on the day of the relevant meeting. It was suggested that a similar amendment could be adopted by SKDC, negating the need for the suggested constitutional amendment.

Following discussions, it was proposed, seconded and AGREED to formally recommend the above amendment to Full Council.

Councillor Rahman left the Chamber.

Suggested amendment - Notice for amendments

It was proposed that a new paragraph 14.7 be added to the Council Procedure Rules as follows:

"Notice of any significant amendment to any motion must be submitted in writing to Democratic Services by 5pm the day before the meeting and will be

circulated to all Members of the Council. The Chairman, or Vice-Chairman in their absence, will determine what constitutes a significant amendment."

During discussions, Members commented on the following:

- It was suggested that this would strongarm Members to read and consider motions more thoroughly prior to meetings.
- Consideration was given to the subjective nature of the phrase 'significant amendment' and the difficult position that this would put the Chairman in who would open themselves to allegations of partisanship when interpreting this.
- It was queried how an inexperienced Member would be able to know if their amendment was significant. The Member also noted that part of the principle of debate was to persuade colleagues and potentially establish middle-ground. A fluid amendments process was key to enabling this.

The Cabinet Member for Corporate Governance and Licensing withdrew this element of the report. However, he urged Members to operate within the spirit of giving advanced warning for amendments. A Member suggested cross-party collaboration on establishing the appropriate wording for the amendment.

71. Work Programme 2024 - 2025

There were no comments on the Work Programme.

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

There was none.

The Chairman concluded the meeting at 16.00.

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SOUTH
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Governance and Audit Committee

Wednesday, 19 March 2025

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

Internal Audit Follow Up Report

Report Author

Tracey Elliott, Governance and Risk Officer

tracey.elliott@southkesteven.gov.uk

Purpose of Report

To review and note the update on the implementation of internal audit actions.

Recommendations

The Committee is recommended to review and note the contents of the attached Follow Up Report that has been prepared by the internal auditors BDO.

Decision Information

Does the report contain any exempt or confidential information not for publication? No

What are the relevant corporate priorities? 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 There are no specific financial comments arising from this report.

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

Legal and Governance

- 1.2 Regular review of performance against audit recommendations represents good governance and supports the effectiveness of the Council's internal auditing provision.

Completed by: Graham Watts, Monitoring Officer

2. Background to the Report

- 2.1 Under the Local Government Act 1972 (s151) and the Accounts and Audit Regulations, the Council has a responsibility to maintain an adequate and effective internal audit service. At South Kesteven District Council the internal audit service is provided by BDO.
- 2.2 In accordance with the Public Sector Internal Audit Standards (PSIAS) the internal audit service provides assurance on the adequacy and effectiveness of the authority's governance, risk management, and control arrangements.
- 2.3 BDO has undertaken a follow up of audit recommendations to ensure that they have been implemented in accordance with the management action and the date agreed.

3. Key Points to Note

- 3.1 The Follow Up Report, attached as Appendix A, details the follow up of 20 recommendations.
- 3.2 BDO has followed up the outstanding two recommendations from 2023/24 for Responsive Repairs – one has been completed and the other is 'in progress' and acknowledged as good progress is being made. The action 'in progress' relates to the implementation of a programme where 10% of jobs will be formally quality assessed.

3.3 BDO has followed up 13 medium recommendations from 2024/25 audits as summarised below, and five recommendations are not yet due:

2024/25 Audits	Complete	In progress	Not due
Social Housing Decarbonisation Fund	4	1	-
Business Continuity & Disaster Recovery	4	2	1
Council Tax and NNDR	2	-	-
Homelessness	-	-	3
Income Generation	-	-	1
	10	3	5

3.4 For those recommendations 'in progress' BDO have obtained evidence from the Health & Safety and Compliance Manager, and the Head of Technical Services, that progress has been made to implement these recommendations, but further work is needed for these to be recorded as complete. Another update on these recommendations will be provided at the next Committee.

3.5 BDO's report, attached as Appendix A, provides the full details of the actions followed up and that overall, there is a positive completion rate for recommendations, demonstrating improvements in internal controls.

3. Reasons for the Recommendations

4.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (ii) approve the Internal Audit Strategy and Plan and monitor performance.

4. Appendix

5.1 Appendix A – Internal Audit Follow Up Report

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**INTERNAL AUDIT FOLLOW UP
OF RECOMMENDATIONS REPORT
SOUTH KESTEVEN DISTRICT COUNCIL
2024/2025**

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SUMMARY

2023/24	Total Recs	H	M	To follow up	Complete		In progress		Overdue		Not Due	
	H	M	H	M	H	M	H	M	H	M	H	M
Responsive Repairs	2	-	2	2	-	1	-	1	-	-	-	-
Total	2	-	2	2	-	1	-	1	-	-	-	-

2024/25	Total Recs	H	M	To follow up	Complete		In progress		Overdue		Not Due	
	H	M	H	M	H	M	H	M	H	M	H	M
Social Housing Decarbonisation Fund	5	-	5	5	-	4	-	1	-	-	-	-
Homelessness	4	-	4	1	-	1	-	-	-	-	-	3
Income Generation	1	-	1	0	-	-	-	-	-	-	-	1
Business Continuity and Disaster Recovery	6	-	6	5	-	3	-	2	-	-	-	1
Council Tax and Business Rates	2	-	2	2	-	2	-	-	-	-	-	-
Total	18	-	18	13	-	10	-	3	-	-	-	5

SUMMARY

2023/24

Please find below a summary of the status of implementation of recommendations arising from reports issued in 2024/2025.

- ▶ Of the two recommendations last reported to committee on the Responsive Repairs review, one is now complete and the other in progress, where we obtained evidence of good progress being made to implement it.

2024/25

Please find below a summary of the status of implementation of recommendations arising from reports issued in 2024/2025.

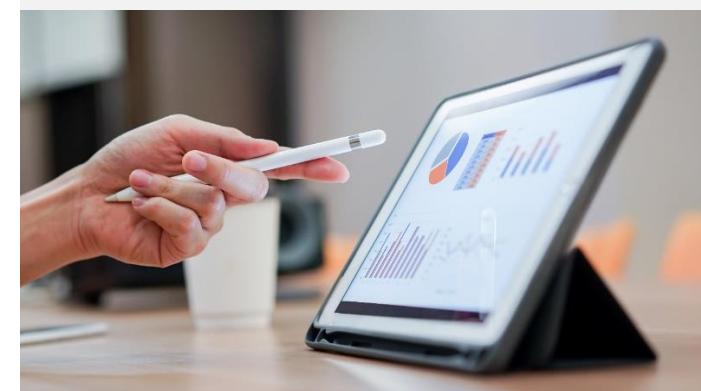
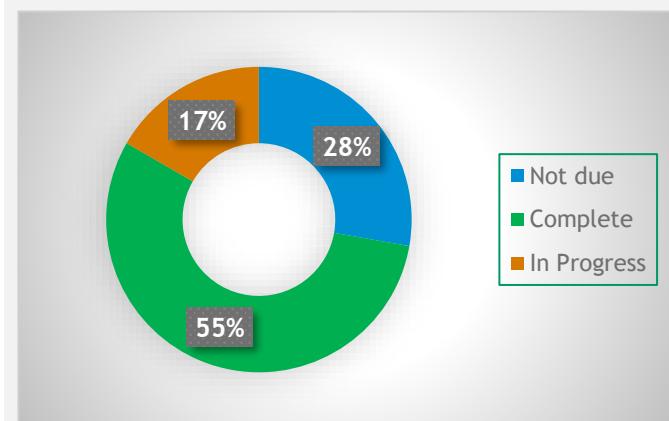
- ▶ 10 medium recommendations have been completed from 2024/2025 reviews.
- ▶ Three medium recommendations for the Business Continuity & Disaster Recovery and Social Housing Decarbonisation Fund audits were in progress. We have discussed these with the Health and Safety and Compliance Manager and Head of Service (Technical Services) respectively and obtained evidence that progress has been made to implement these recommendations, but further work is needed for these to be recorded as complete. We will provide an update on these at the next Audit Committee.
- ▶ Five medium recommendations were not due for this Governance and Audit Committee. We will follow up on these recommendations as they fall due.
- ▶ Overall, there is a positive completion rate for recommendations, demonstrating improvements in internal controls.

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REQUIRED GOVERNANCE & AUDIT COMMITTEE ACTION:

We ask the Governance and Audit Committee to note the progress against the recommendations.

2024 -2025 Cumulative implementation on reports with outstanding recommendations



RECOMMENDATIONS: COMPLETE

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUUE DATE	CURRENT PROGRESS
2023/24					
Responsive Repairs	The Council will investigate the finding that jobs closed in Northgate as part of the large-scale closedown are still open in DRS.	Medium 	Head of Service (Technical Services)	Complete	<p>Management Comments: Northgate is fully closed out now and all repairs have been moved to QL, where jobs are monitored monthly through KPI reporting (attached KPI sheet). Jobs allocated are also monitored in DRS to ensure that no jobs remain in DRS.</p> <p>Internal Audit Comments: We obtained and reviewed the KPI sheet as of Dec 2024, with measurement against target monitored by the Repairs Manager as the overall responsible owner. We confirmed that this is now completed and operational</p>
2024/25					
Social Housing Decarbonisation Fund	The Decarbonisation Project Manager should amend the Valuations Sheet to cross reference each installation to the invoice reference.	Medium 	Decarbonisation Project Manager	Complete	<p>Management Comments: A valuation process has been established where contractor-issued valuations are verified by the Quality Surveyor before an invoice is processed to ensure these matches.</p> <p>Internal Audit Comments: We obtained the updated valuation sheet as of November 2024 and evidence effective challenge of invoice by the Lead QS as of January 2025. We confirmed that this is now completed and operational.</p>

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUe DATE	CURRENT PROGRESS
	The Decarbonisation Project manager should implement standardised action log showing the agreed actions, owners, due dates, and status. This log should be reviewed and updated at each meeting to ensure accountability and timely completion of tasks.	Medium 	Decarbonisation Project Manager	Complete	<p>Management Comments: Formal action logs are now maintained within core group minutes and documented during monthly operational meetings with SPOC.</p> <p>Internal Audit Comments: We obtained and reviewed meeting minutes from October to December 2024, between the council and the SPOC, with detailed action log showing responsible officer, action and date to complete by. We confirmed that this is now completed.</p>
	The Decarbonisation Project Manager should retain an audit trail to show which invoice each installation relates to so they can obtain assurance that the invoice was not paid until the works have been inspected.	Medium 	Decarbonisation Project Manager	Complete	<p>Management Comments: A project tracker has been implemented by the Project Officer to record completions and certification documents which are verified before contractors can make payment applications.</p> <p>Internal Audit Comments: We obtained the project tracker spreadsheet showing invoice updated as of November 2024 and confirmed that this is now completed.</p>
	In accordance with the SDHF guidance, the decarbonisation Project Manager should implement a robust process identifying and documenting lessons learnt throughout the project lifecycle.	Medium 	Decarbonisation Project Manager	Complete	<p>Management Comments: Lessons learnt are now captured through regular updates to the Fraud Risk Assessment (FRA) documents and the standard risk assessment and are reviewed and updated monthly.</p> <p>Internal Audit Comments: We obtained and reviewed the updated FRA and confirmed this is now completed.</p>
Business Continuity and Disaster Recovery	The Council should ensure that the two outstanding BIAs are completed.	Medium 	Health and Safety and Compliance Manager	Complete	<p>Management Comments: We have now received the two outstanding BIAs.</p> <p>Internal Audit Comments: We confirmed that this is now completed.</p>

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUe DATE	CURRENT PROGRESS
21	The Council should develop a dedicated testing schedule which should be monitored by the business continuity steering group. This should prioritise testing for service areas that are identified as being critical (i.e. those services which the Council depends upon). The frequency of testing and the allocation of criticality should be reviewed and updated on a regular basis	Medium 	Health and Safety and Compliance Manager	Complete	<p>Management Comments: Testing regime has been created and shared with the Business Continuity steering group for approval.</p> <p>Internal Audit Comments: We confirmed that this is now completed.</p>
	Within the individual BCPs, management should ensure that any identified activities that depend on a third-party provider have an identified BCP. This should also specify whether the BCP has been tested.	Medium 	Health and Safety and Compliance Manager	Complete	<p>Management Comments: Third party providers have been contacted by the relevant service areas and confirmation has been received that they have a BCP and that it has been tested.</p> <p>Internal Audit Comments: We confirmed that this is now completed.</p>
	Homelessness The Head of Service, (Housing) and Safeguarding Lead should ensure that meeting related to the weekly reviewing of outstanding and existing cases is documented and any associated outcomes related to reviewed cases are included within the case management system.	Medium 	Head of Service (Housing) and Safeguarding Lead	Complete	<p>Management Comments: Regular meetings on those in temporary accommodation placements are being conducted, with meeting minutes now documented and recorded.</p> <p>Internal Audit Comments: We confirmed from meeting minutes from November 2024 to January 2025, that there is ongoing review of existing and outstanding cases of applicants in temporary accommodation and this is now being documented.</p>

AUDIT	ACTIONS AGREED	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUe DATE	CURRENT PROGRESS
Council Tax and NNDR	The Head of Revenues, Benefits, Customer and Community should update the debt write off procedures with a clear timescale by which debts should be authorised once they have been proposed for a write-off.	Medium 	Head of Service (Revenues, Benefits, Customer and Community)	Complete	<p>Management Comments: A new Write-Off Delegation and Authorisation document has been established which shows the timescales for write off. This has also been issued to all Revenues Management Team and staff within the Enforcement Team.</p> <p>Internal Audit Comments: We obtained the updated write-off delegation and authorisation document as of January 2025 and confirmed this has been amended to show time scale and appropriate authorising officer.</p>
	The Head of Revenues, Benefits, Customer and Community should implement a centralised document management system within the Revenues team for write-off authorisation, with clear tracking to ensure all supporting documentation is properly stored and easily retrievable for audit purposes.	Medium 	Head of Service (Revenues, Benefits, Customer and Community)	Complete	<p>Management Comments: All write off spreadsheets and authorisation emails are saved in a central location with a separate file to record council tax and anther for business rates.</p> <p>Internal Audit Comments: We confirmed that separate write-off spreadsheet has been created for CTax and NNDR at a central location in 'Orion' on the Council network.</p>

RECOMMENDATIONS: IN PROGRESS

These recommendations have been marked as In Progress as they have not been implemented by their original date, a revised date has been provided.

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DUe DATE	CURRENT PROGRESS
2023/24					
Responsive Repairs	The implementation of a programme where 10% of jobs will be formally quality assessed will be implemented within QL with clear oversight responsibility.	Medium	Head of Service (Technical Services)	30/04/2024 30/11/2024 31/03/2025	Management Comments: Post check process has commenced on QL system and are progressing with KPIs set and monitored monthly, completion has however suffered some delays, now planned to be completed by end of March. Internal Audit Comments: We note the progress of this recommendation, as delays is due to the leaving of the Repairs Manager, to which a replacement has been recruited to post this month. We will follow up in due course.
2024/25					
Social Housing Decarbonisation Fund	<p>The Director of Housing should prepare a business case ahead of the application for Wave 3 funding to cover the</p> <ul style="list-style-type: none"> • Resources and staff capacity to manage and deliver the project • Skills assessment of existing staff to manage and deliver the project. <p>Where projects are delayed, this should be reported to the relevant committees or groups within the governance and oversight structures, with explanations for the reasons for delays.</p>	Medium	Director of Housing	30/11/2024 31/03/2025	Management Comments: The Service team is undergoing restructuring to meet business requirements. Job descriptions have been updated with a business case scheduled for completion by March 2025 following the bid outcome. Progress report on ongoing actions have been reported to the Housing and Scrutiny Committee. Internal Audit Comments: We note the progress of this recommendation and will follow up in due course.

AUDIT	RECOMMENDATIONS MADE	PRIORITY LEVEL	MANAGER RESPONSIBLE	DU DATE	CURRENT PROGRESS
Business Continuity and Disaster Recovery	For each identified directorate/service area, management should ensure that a defined and up to date BCP is in place that identifies staff responsible for the plan in addition to key areas of vulnerability and defined business impact assessments.	Medium	Health and Safety and Compliance Manager	31/01/2025 31/03/2025	<p><u>Management Comments:</u></p> <p>The BCPs are underway but have been a bit delayed. A meeting is in the diary for officers to deliberate on this, with a view to complete before the end of March 2025.</p> <p><u>Internal Audit Comments:</u></p> <p>We note the progress of this recommendation and will follow up in due course. The Council have had floods in the area, so the recovery processes have been prioritised to address those.</p>
Business Continuity and Disaster Recovery	Within the individual BCPs, management should ensure that any identified activities that depend on a third-party provider have an identified BCP. This should also specify whether the BCP has been tested	Medium	Health and Safety and Compliance Manager	31/01/2025 31/03/2025	<p><u>Management Comments:</u></p> <p>All BCPs with third party dependencies have been identified and would be expanded on in the BCPs at the February Officer's meeting underway but has been a bit delayed. A meeting is in the diary for officers to deliberate on this, with a view to complete before the end of March 2025.</p> <p><u>Internal Audit Comments:</u></p> <p>We note the progress of this recommendation. We will follow up in due course.</p>

FOR MORE INFORMATION:

Gurpreet Dulay

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The matters raised in this report are only those which came to our attention during the course of our audit and are not necessarily a comprehensive statement of all the weaknesses that exist or all improvements that might be made. The report has been prepared solely for the management of the organisation and should not be quoted in whole or in part without our prior written consent. BDO LLP neither owes nor accepts any duty to any third party whether in contract or in tort and shall not be liable, in respect of any loss, damage or expense which is caused by their reliance on this report.

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Governance and Audit Committee

Wednesday, 19 March 2025

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

Draft Internal Audit Plan 2025/26

Report Author

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Purpose of Report

To approve the Draft Internal Audit Plan 2025/26 attached as Appendix A.

Recommendations

The Committee is recommended to approve the Draft Internal Audit Plan 2025/26 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? 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 There are no specific financial comments arising from this report.

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

Legal and Governance

- 1.2 The delivery of an effective plan for internal audit activity represents good governance and supports the Council in meeting its statutory obligations in accordance with Section 151 of the Local Government Act 1972 and the Accounts and Audit Regulations.

Completed by: Graham Watts, Monitoring Officer

2. Background to the Report

- 2.1 Under the Local Government Act 1972 (s151) and the Accounts and Audit Regulations, the Council has a responsibility to maintain an adequate and effective internal audit service. At South Kesteven District Council the internal audit service is provided by BDO.
- 2.2 In accordance with the Public Sector Internal Audit Standards (PSIAS) the internal audit service provides assurance on the adequacy and effectiveness of the authority's governance, risk management, and control arrangements. The opinion provided within individual reports issued to management contributes towards an annual audit opinion that forms part of the framework of assurances that inform the Council's Annual Governance Statement.
- 2.3 BDO has evaluated the Council's risk management processes and consider that they can place reliance on our risk registers/assurance framework to inform the internal audit plan. They have used various sources of information and discussed priorities for internal audit coverage with Corporate Management Team. An indicative Audit Plan was presented to the Committee on 22 January 2025 and the final draft Internal Audit Plan 2025/26 is attached at Appendix A and will be presented by BDO.

3. Key Considerations

- 3.1 The mapping of the audits to the Strategic Risk Register, pages 3-6 of BDO's report attached at Appendix A, do not include the three new emerging risks that have been identified as part of the Emerging Risk Radar which is being presented as a separate agenda item at this Committee meeting.
- 3.2 The audit plan is a total of 220 days. There are 10 audits (173 days) and follow up of audit actions (7 days).
- 3.3 There are 27 contingency days to allow for additional audits to be undertaken at the request of either the Governance and Audit Committee or management based on changes in assurance needs which may arise during the year.
- 3.4 The remaining 13 days are for audit management and further detail in respect of this can be found in the attached report.

4. Reasons for the Recommendations

- 4.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (ii) is asked to approve the 2025/26 Internal Audit Plan and monitor performance during the course of the year.

5. Appendices

- 5.1 Appendix A – Draft Internal Audit Plan 2025/26

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INTERNAL AUDIT PLAN - DRAFT

SOUTH KESTEVEN DISTRICT COUNCIL

2025/26



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AUDIT RISK ASSESSMENT

BACKGROUND

Our risk-based approach to internal audit uses South Kesteven District Council's (The Council) own risk management process and risk register as a starting point for audit planning as this represents the client's own assessment of the risks to it achieving its strategic objectives.

The extent to which we can rely on management's own perception of risk largely depends on the maturity and effectiveness of the Council's own risk management arrangements. In estimating the amount of audit resource required to address the most significant risks, we have also sought to confirm that senior management's own assessment of risk accurately reflects the Council's current risk profile.

PLANNED APPROACH TO INTERNAL AUDIT 2025/26

The indicative Internal Audit programme for 2025/26 is set out on pages 7 to 14. We met with the Corporate Management Team to bring together a full plan which was presented to the Governance and Audit Committee meeting for review in January and is now being presented for formal approval. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 5 and 6.

INDIVIDUAL AUDITS

When we scope each review, we will reconsider our estimate for the number of days needed to achieve the objectives established for the work and to complete it to a satisfactory standard in light of the control environment identified within the Council. Where revisions are required, we will obtain approval from the appropriate Director prior to commencing fieldwork.

In determining the timing of our individual audits, we will seek to agree a date which is convenient to the Council, and which ensures availability of key management and staff and takes account of any operational pressures being experienced.

VARIATIONS TO THE PLAN

We review the three-year strategic plan each year to ensure we remain aware of your ongoing risks and opportunities. Over the coming pages we have mapped your key risks along with the audit work we propose to undertake, demonstrating we are focussing on your most important issues.

As such, our strategic audit programme follows the risks identified during our planning processes and confirmed via discussions with the Corporate Management Team. If these were to change, or emerging risks were to develop during this period, we would take stock and evaluate our coverage accordingly.

OUR NEXT GEN INTERNAL AUDIT APPROACH

Our innovative Next Gen approach to internal audit ensures you maximise the potential added value from BDO as your internal audit provider and the expertise we bring from our dedicated Public Sector Internal Audit team and wider BDO specialist teams.

The Next Gen approach allows us to deliver a healthy mix of assurance that is forward looking, flexible and responsive and undertaken in partnership with yourselves. The key components to this approach are outlined below and underpin our proposed plan coverage:

CORE ASSURANCE

Reviews of fundamental finance and operational systems to provide assurance that core controls and procedures are operating as intended.

SOFT CONTROLS

Reviews seek to understand the true purpose behind control deficiencies and provide a route map to enhance their effectiveness.

FUTURE FOCUSED ASSURANCE

Rather than wait for implementation and then comment on identified weaknesses, we will work with you in an upfront / real time way.

FLEXIBLE AUDIT RESOURCE

Undertake proactive work across the Council, perhaps in preparation for regulatory reviews or change management programmes.



MAPPING YOUR STRATEGIC RISKS

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REF	STRATEGIC RISKS FROM YOUR SRR	NET SCORE	RATING
1	Successful/serious cyber security attack on the Council	13	
2	Serious safeguarding failure by the Council	9	
3	Serious health, safety, and well-being failure by the Council	9	
4	Ineffective financial management	6	
5	Unable to maintain and build quality and consistency in service provision by the Council	9	
6	Unable to maintain and build sufficient staffing capacity and capability	9	
7	Failure to explore digital transformation of Council Services	12	
8	Not maintaining and developing fruitful partnerships and collaborations	9	
9	#TeamSK values/culture are not lived	9	
10	Unable to meet requirements of new regulations and legislations affecting the Council	6	

Ref	Strategic Risks from your SRR	NET Score	rating
11	Not sufficiently engaging with and responding to climate change	9	
12	Not effectively engaging with our key external stakeholders	5	
13	Governance failure	9	
14	Significant fraud/theft successfully committed against the Council	10	
15	Unable to effectively respond to political priorities	10	

MAPPING YOUR SRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR SRR	2025/26	2026/27	2027/28
1	Successful/serious cyber security attack on the Council	• N/A	• Cyber Security	• Data Protection, EIR and Subject Access Request
2	Serious safeguarding failure by the Council	• Voids Management	• N/A	• Safeguarding
3	Serious health, safety, and well-being failure by the Council	• Building Control • Market Services • Voids Management	• N/A	• Corporate Health and Safety
4	Ineffective financial management	• Treasury Management • Accounts Payable • Payroll • Main Financial Systems	• Housing Revenue Account • Fixed Asset Register	• Income generation • Main Financial Systems • Council Tax and NNDR
5	Unable to maintain and build quality and consistency in service provision by the Council	• Voids Management • Building Control	• Parking • Planning Service Review Action Plan	• Business Continuity and Disaster Recovery • Homelessness
6	Unable to maintain and build sufficient staffing capacity and capability	• N/A	• Sickness and Absence management	• Recruitment and Retention
7	Failure to explore digital transformation of Council Services	• IT Strategy	• Cyber Security	• IT Strategy

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REF	STRATEGIC RISKS FROM YOUR SRR	2025/26	2026/27	2027/28
8	Not maintaining and developing fruitful partnerships and collaborations	• Building Control	• N/A	• N/A
9	#TeamSK values/culture are not lived	• N/A	• Equality Diversity and Inclusion	• N/A
10	Unable to meet requirements of new regulations and legislations affecting the Council	• N/A	• N/A	• Housing Repairs • Housing Benefit
11	Not sufficiently engaging with and responding to climate change	• Climate Plan	• Social Housing Decarbonisation Fund (Wave 3)	• Commercial Waste Services, Bins, Street Care and Recycling
12	Not effectively engaging with our key external stakeholders	• N/A	• N/A	• N/A
13	Governance failure	• Performance Management	• N/A	• N/A
14	Significant fraud/theft successfully committed against the Council	• Treasury Management • Payroll	• N/A	• Housing Benefit • Main Financial Systems
15	Unable to effectively respond to political priorities	• Performance Management	• N/A	• N/A

INTERNAL AUDIT OPERATIONAL PLAN 2025/26

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Core Assurance					
Voids Management	2,3	20	Q2	<p>To review the Council's void property management process to assess efficiency and effectiveness of procedures for returning empty properties back to use. This will include:</p> <ul style="list-style-type: none"> •Property inspection and void classifications •Contractor scheduling and work scheduling •Quality assurance processes for completed works 	<p>Void properties represent a significant loss of rental income for the Council and impact availability of social housing for those in need. Effective void management is crucial for minimising rental income loss. A previous audit by our predecessors provided Limited assurance over the effectiveness of controls particularly around the ineffective management of voids, with properties left empty for extended periods.</p>
Payroll	4,14	17.5	Q1	<p>To evaluate the effectiveness of payroll controls and system access management by examining:</p> <ul style="list-style-type: none"> •User access rights and permissions mapping •Segregation of duties in system roles •Super user access monitoring •Interface access controls between •HR/Payroll systems •Audit trail monitoring and review 	<p>The payroll system contains sensitive personal and financial data and represents significant expenditure for the Council. Therefore, robust controls are needed to limit system access, fraud prevention and maintaining the accuracy of payments to staff.</p>
Treasury Management	4,14	17.5	Q3	<p>To evaluate the controls over treasury management activities by examining:</p> <ul style="list-style-type: none"> •Investment decisions and authorisation processes •Counterparty risk assessment and monitoring 	<p>The Council manages an investment portfolio of c£83M requiring robust controls to protect public funds and ensure compliance with regulatory requirements, especially seeing the increased risks around investment decisions and counterparty exposures due to current economic volatility and interest rate environment.</p>

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				<ul style="list-style-type: none"> •Monitor compliance with investment strategy •Accuracy and timeliness of Management reporting •Segregation of duties in investment operations 	
Climate Plan	11	20	Q1	<p>A review of the Climate Reserve to determine how £300,000 allocated was specifically spent and provide assurance over whether this is adequate to meet the councils target of a 30% reduction in carbon emissions by 2030. The review will provide assurance over the progress the Council have made in implementing its Climate Action Plan.</p>	<p>Climate plan and reduction of emissions is a key objective of the Council. The Council declared a climate emergency in September 2019 and has committed to reducing the carbon emissions generated by its operations by at least 30% by 2030. A more ambitious target to be a Net Zero District by 2041. To provide the Governance and Audit Committee with assurance over its progress against these ambitions, we will assess the governance and operational delivery of the Climate Action Plan</p>
Market Services	3	15	Q4	<p>We will review the progress of the Operational Action Plan to improve the Market Service and assess whether sufficient action has been taken against the issues raised. Specifically, we will assess whether appropriate processes have been implemented for fee collections and correct fees and charges are collected for market stalls, the status of the 17 actions that are either not started or in progress as well as operational efficiency of market services</p>	<p>A report on the operational practice of Markets was presented to the Governance and Audit Committee in June 2023, which identified a significant number of issues resulting from inadequate management. These include inconsistent fee collection and cash-only payments creating avoidable risks, heavy reliance on casual staff, aged equipment with inadequate maintenance, unauthorised access to Council stores by former employees, health and safety concerns around outdated risk assessments, poor welfare facilities for staff. The report resulted in the production of an action plan to improve procedures.</p>
Accounts Payable	14,4	15	Q3	<p>Assess the arrangements to input, amend, record and report accounts payable data including whether the software/procurement methods in place is effective. We will also review a sample of purchases</p>	<p>This is a standard review we include in our annual plan to provide us with assurance required for support our annual opinion.</p>

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				<p>to ensure POs were approved, paid in a timely manner and whether opportunities for efficiencies have been identified.</p>	
Building Control	3,5,8	15	Q3	<p>To examine Council's participation and oversight of services delivered through the East Midland Building Consultancy (EMBC) partnership arrangement focusing on:</p> <ul style="list-style-type: none"> •Partnership governance and performance monitoring •Financial arrangements including fee sharing and cost allocation <p>Oversight of service quality and customer satisfaction procedures.</p>	<p>Although the Service is delivered through a partnership, the Council retains statutory responsibilities for providing building control services. This review will assess the service delivery and quality, and that local building safety responsibilities are met through our sample testing. There is also growing competition from private approved inspectors which could affect the partnership's viability going forward.</p>
Main Financial Systems	4	18	Q4	<p>Local authorities are required to maintain sufficient effective controls over their main financial systems to support effective management of resources. Financial controls play an important role in ensuring the accuracy of reporting, eliminating fraud, and protecting the organisation's resources, both physical and intangible. These internal control procedures processes at will be assessed through:</p> <p>A review of the Council's main financial systems covering budget setting and accounting to ensure the controls are set out and operating effectively.</p> <p>Looking at key risks like:</p> <ul style="list-style-type: none"> •Inadequate segregation of duties within the main financial systems, leading to an increased risk of fraud, error, or unauthorised transactions. •Weak access controls to financial systems, resulting in unauthorised access, data breaches, or manipulation of financial data. 	<p>Assurance of main financial systems is critical to support our Annual Opinion.</p>

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
				Ineffective budget management and setting processes, resulting in overspending, underfunding, or misallocation of resources.	
Total	8	138			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Soft Controls					
Performance Management	13	20	Q2	Assess the development, agreement and review of Key Performance Indicators (KPIs) to determine ambitions and actions of the Council's Corporate alignment with the Council's strategic objectives Plan for 2024-27. The Council intends to support the Assess whether the KPIs are SMART, monitored and plan through monitoring KPIs and strategic socio-progress reported regularly through appropriate economic indicators. scrutiny committees, as well as how the performance information is used for decision-making.	Managing performance is a key part in delivering the
Total	1	20			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Future Focused Assurance					
IT Strategy	1,7	15	Q3	<p>Assess the implementation of the key principles of the Council's IT Strategy:</p> <ul style="list-style-type: none"> •The ICT platform - this principle aims to ensure that end-to-end interactions are as simple and streamlined as possible as this will create an improved customer experience. <p>A digital workforce - this principle focuses on enabling our employees to have access to the right tools to do their job and be confident in maximising the use and benefits of technology in daily work.</p>	Seeing the IT Strategy is fundamental to the Council's digital plan, it's important to obtain assurance over its delivery, more so it is a core review we include in our annual plan to provide us with assurance required to support our annual opinion.
<hr/>					
Total	1	15			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below					
Contingency/ Flexible resource	N/A	27	All	Contingency days left to allocate to flexible work.	We have built in an allocation of flexible days into our plan to support the Council on emerging risks or projects during the year.
		27			
Total					

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Contract Management					
Planning / liaison / management	N/A	8	Q1 - Q4	Creation of audit plan, meeting with Corporate Management Team	Effective contract management
Recommendations follow up	N/A	7	Q2 and Q4	Assessment and reporting of status of implementation of recommendations raised	Assurance for Council Management Team and Governance and Audit Committee
[Audit Committees]	N/A	5	Q1 - Q4	Attendance at Governance and Audit Committee meetings, pre-meets and Governance and Audit Committee Chair liaison	Effective contract management
Total		20			

SUMMARY	DAYS
Core Assurance	138
Soft Controls	20
Future Focused Reviews	15
Flexible Audit Resource	27
Contract Management	20
Total days	220

APPENDIX I

INTERNAL AUDIT CHARTER

This charter is a requirement of internal audit standards.

The charter formally defines internal audit's purpose, authority and responsibility. It establishes internal audit's position within South Kesteven District Council 'the Council' and defines the scope of internal audit activities.

Final approval of this charter resides with the Governance and Audit Committee (GAC) on behalf of the Cabinet.

STANDARDS OF INTERNAL AUDIT PRACTICE

To fulfil its purpose, internal audit will perform its work in accordance with the *Global Internal Audit Standards in the UK Public Sector*, which encompass:

- ▶ The global Institute of Internal Auditors (IIA) *Global Internal Audit Standards* (GIAS) effective from January 2025
- ▶ The Internal Audit Standards Advisory Board (IASAB) *Application Note Global Internal Audit Standards in the UK Public Sector* effective from 1 April 2025.

For local government internal audit, internal audit is also required to comply with the Chartered Institute of Public Finance and Accountancy (CIPFA) *Code of Practice for the Governance of Internal Audit in UK Local Government*, effective from 1 April 2025.

The GIAS refer to the 'board' as 'the highest-level body charged with governance, such as a board of directors, an Audit Committee, a board of governors or trustees, or a group of elected officials or political appointees.' For the Council, 'the board' is the GAC acting on behalf of the Council.

The GIAS also refer to the 'chief audit executive' as the 'leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards.' For the [Council/Trust/ICB]'s internal audit function, 'the chief audit executive' is the BDO-assigned Partner acting as the Head of Internal Audit (HoIA).

INTERNAL AUDIT'S PURPOSE AND MANDATE

Purpose

The purpose of the internal audit function is to strengthen the Council's ability to create, protect, and sustain value by providing the GAC and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The internal audit function enhances the Council's:

- ▶ Successful achievement of its objectives
- ▶ Governance, risk management, and control processes
- ▶ Decision-making and oversight
- ▶ Reputation and credibility with its stakeholders
- ▶ Ability to serve the public interest.

The Council's internal audit function is most effective when:

- ▶ Internal auditing is performed by competent professionals in conformance with the GIAS in the UK Public Sector
- ▶ The internal audit function is independently positioned with direct accountability to the GAC

- ▶ Internal auditors are free from undue influence and committed to making objective assessments.

The role of the Council's internal audit therefore includes:

- ▶ Supporting the delivery of the Council's strategic objectives by providing risk-based and objective assurance on the adequacy and effectiveness of governance, risk management and internal controls
- ▶ Championing good practice in governance through assurance, advice and contributing to the Council's annual governance review
- ▶ Advising on governance, risk management and internal control arrangements for major projects, programmes and system changes
- ▶ Access to the Council's collaborative and arm's-length arrangements.

Mandate - Authority

The GAC grants the internal audit function the mandate to provide the GAC and senior management with objective assurance, advice, insight, and foresight.

The internal audit function's authority is created by its direct reporting relationship to the GAC. Such authority allows for unrestricted access to the GAC.

The GAC authorises the internal audit function to:

- ▶ Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out internal audit responsibilities; internal auditors are accountable for confidentiality and safeguarding records and information
- ▶ Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the function's objectives
- ▶ Obtain assistance from the necessary organisation's personnel in relevant engagements, as well as other specialised services from within or outside the organisation to complete internal audit services.

Mandate - Independence, position, and reporting relationships

- ▶ The HoIA will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from management, thereby establishing the independence of the internal audit function.
- ▶ The HoIA will report functionally to the GAC and administratively to the s151 Officer of Finance/Chief Finance Officer/other relevant title].
- ▶ This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the GAC, when necessary, without interference and supports the internal auditors' ability to maintain objectivity.
- ▶ The HoIA will confirm to the GAC, at least annually, the organisational independence of the internal audit function.
- ▶ The HoIA will disclose to the GAC any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on the internal audit function's effectiveness and ability to fulfil its mandate.

GOVERNANCE AND AUDIT COMMITTEE OVERSIGHT

To establish, maintain, and ensure that the Council's internal audit function has sufficient authority to fulfil its duties, the GAC will:

- ▶ Discuss with the HoIA and senior management the appropriate authority, role, responsibilities, scope, and services (assurance and/or advisory) of the internal audit function
- ▶ Ensure the HoIA has unrestricted access to and communicates and interacts directly with the GAC, including in private meetings without senior management present
- ▶ Discuss with the HoIA and senior management other topics that should be included in the internal audit charter

- ▶ Participate in discussions with the HoIA and senior management about the “essential conditions”, described in the GIAS, which establish the foundation that enables an effective internal audit function
- ▶ Review and approve the internal audit function’s charter annually, which includes the internal audit mandate and the scope and types of internal audit services
- ▶ Approve the risk-based internal audit plan
- ▶ Approve the internal audit function’s human resources administration and budgets
- ▶ Collaborate with senior management to determine the qualifications and competencies the Council expects in a HoIA
- ▶ Authorise the appointment and removal of the HoIA and outsourced internal audit provider
- ▶ Approve the fees paid to the outsourced internal audit provider
- ▶ Review the HoIA’s and internal audit function’s performance
- ▶ Receive communications from the HoIA about the internal audit function including its performance relative to its plan
- ▶ Ensure a quality assurance and improvement program has been established and review the results annually
- ▶ Make appropriate inquiries of senior management and the HoIA to determine whether scope or resource limitations are inappropriate.

Changes to the Mandate and Charter

Circumstances may justify a follow-up discussion between the HoIA, GAC, and senior management on the internal audit mandate or other aspects of the internal audit charter. Such circumstances may include but are not limited to:

- ▶ A significant change in the GIAS in the UK Public Sector
- ▶ A significant acquisition or reorganisation within the Council
- ▶ Significant changes in the HoIA, GAC, and/or senior management
- ▶ Significant changes to the Council’s strategies, objectives, risk profile, or the environment in which the Council operates
- ▶ New laws or regulations that may affect the nature and/or scope of internal audit services.

Support for Internal Audit

Internal audit’s activities require access to and support from senior management, the GAC and those charged with governance. Support allows internal audit to apply the mandate and charter in practice and meet expectations.

The Council will support the internal audit function by:

- ▶ Championing the role and work of internal audit to the staff within the Council and to partner organisations with whom internal audit works
- ▶ Facilitating access to senior management, the GAC and the Council’s external auditor
- ▶ Assisting, where possible, with access to external providers assurance such as regulators, inspectors and consultants
- ▶ Engaging constructively with internal audit’s findings, opinions and advice
- ▶ Building awareness and understanding of the importance of good governance, risk management and internal control for the success of the Council and of internal audit’s contributions.

The Council will also put in place conditions to enable the internal audit work:

- ▶ Ensuring that the reporting line of the HoIA is not lower than a member of the senior management team and that the HoIA has access to all members of the team
- ▶ Ensuring that client responsibility lies with a member of senior management

The GAC will support internal audit by:

- ▶ Enquiring of senior management and the HoIA about any restrictions on the internal audit's scope, access, authority or resources that limit its ability to carry out its responsibilities effectively
- ▶ Considering the audit plan or planning scope, and formally approving or recommending approval to those charged with governance
- ▶ Meeting at least annually with the HoIA in sessions without senior management present.

Senior management will establish and safeguard internal audit's independence by:

- ▶ Ensuring internal audit's access to staff and records, as set out in regulations and the charter, operates freely and without any interference
- ▶ Ensuring that the HoIA reports in their own right to the GAC on the work of internal audit
- ▶ Providing opportunities for the HoIA to meet with the GAC without senior management present
- ▶ Where there are actual or potential impairments to the independence of internal audit, working with the HoIA to remove or minimise them or ensure safeguards are operating effectively
- ▶ Recognising that if the HoIA has additional roles and responsibilities beyond internal auditing, or if new roles are proposed, it could impact on the independence and performance of internal audit; in such cases the impact must be discussed with the HoIA and the views of the GAC sought
- ▶ Where needed, appropriate safeguards will be put in place by senior management to protect the independence of internal audit and support conformance with professional standards. Matters around the appointment, removal, remuneration and performance evaluation of the HoIA will be undertaken by senior management, but these arrangements must not be used to undermine the independence of internal audit. The GAC will provide feedback on the performance evaluation of the HoIA, which should include feedback from the Chair of the GAC.

Interaction between the [Audit Committee] and Internal Audit

The GAC will support internal audit's independence by reviewing the effectiveness of safeguards at least annually, including any issues or concerns about independence from the HoIA. The HoIA will have the right of access to the Chair of the GAC at any time. The GAC can escalate its concerns about internal audit independence to those charged with governance.

To ensure there is good interaction between the AC and internal audit, the AC will agree its work plan with the HoIA to ensure there is appropriate coverage of internal audit matters within GAC agendas. The GAC workplan will provide for the internal audit mandate and charter, strategy, plans, engagement reporting and the annual conclusion, and quality reports.

The GAC is familiar with the Council's assurance framework, governance, risk management and internal control arrangements to facilitate its interactions with internal audit.

Senior management will engage with the GAC on any significant changes to governance, risk and control arrangements and any concerns they may have on assurance. The GAC will have oversight of the annual governance statement before final approval.

Where there is disagreement about the management of risks or agreed audit actions between internal audit and senior management, the GAC will review and make their recommendation to either management or those charged with governance.

Internal Audit Resources

The GAC and senior management will engage with the HoIA to review whether internal audit's financial, human and technological resources are sufficient to meet internal audit's mandate as set out in the

regulations and achieve conformance with GIAS in the UK public sector. Where there are concerns about internal audit's ability to fulfil its mandate or deliver an annual conclusion, the concerns will be formally recorded and reported to those charged with governance.

If resource issues result in a limitation of scope on the annual conclusion, this will be reported and disclosed in the annual governance statement. Decisions on internal audit resourcing by senior management and those charged with governance must take account of the longer-term risks to the governance and financial sustainability of the Council and internal audit's role in supporting those objectives. Where there are temporary resource constraints, senior management must work with the HOIA to establish longer-term plans for sustainable internal audit resources.

Quality

Annually, the GAC will review the results of the HOIA's assessment of conformance against GIAS in the UK public sector (including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government) including any action plan. The GAC will review the HOIA's annual report, including the annual conclusion on governance, risk management and control, and internal audit's performance against its objectives. To meet the requirements of the regulations (the mandate) for internal audit, the GAC will satisfy itself on the effectiveness of internal audit. They will take into account conformance with the standards, interactions with the GAC, performance and feedback from senior management. Their conclusions will be reported to those charged with governance, for example, as part of the GAC's annual report.

External Quality Assessment

On behalf of those charged with governance and the GAC, senior management will ensure that internal audit has an external quality assessment at least once every five years of its conformance against GIAS in the UK public sector, including CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government.

Senior management and the HOIA will discuss the timing of the review and report the options and their recommendation to the GAC. The proposals for the scope, method of assessment and assessor will be brought to the GAC for agreement. The assessor must use CIPFA's Code of Practice for the Governance of Internal Audit in UK Local Government alongside the standards and be familiar with the sector. The GAC will receive the complete results of the assessment and consider the HOIA's action plan to address any recommendations. Progress will be monitored. [Where the AC does not have delegated authority, the committee will report the overall results of the external quality assessment to those charged with governance.]

HEAD OF INTERNAL AUDIT ROLES AND RESPONSIBILITIES

Ethics and Professionalism

The HOIA will ensure that internal auditors:

- ▶ Conform with the GIAS in the UK Public Sector, including the principles of Ethics and Professionalism (integrity, objectivity, competency, due professional care, and confidentiality) and the Seven Principles of Public Life (the 'Nolan Principles') (selflessness, integrity, objectivity, accountability, openness, honesty and leadership)
- ▶ Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognise conduct that is contrary to those expectations
- ▶ Encourage and promote an ethics-based culture in the organisation
- ▶ Report organisational behaviour that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

Objectivity

The HOIA will ensure that the internal audit function remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the HOIA determines

that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment.

Internal auditors will:

- ▶ Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the HoIA, GAC, management, or others
- ▶ Exhibit professional objectivity in gathering, evaluating, and communicating information
- ▶ Make balanced assessments of all available and relevant facts and circumstances
- ▶ Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

Managing the Internal Audit Function

The HoIA has the responsibility to:

- ▶ Understand the Council's governance, risk management and control processes, and the importance in the UK public sector of securing value for money, in developing an effective strategy and plan.
- ▶ At least annually, develop a risk-based internal audit plan that considers the input of the GAC and senior management; discuss the plan with the GAC and senior management and submit the plan to the GAC for review and approval
- ▶ Communicate the impact of resource limitations on the internal audit plan to the GAC and senior management
- ▶ Review and adjust the internal audit plan, as necessary, in response to changes in the Council's business, risks, operations, programs, systems, and controls
- ▶ Communicate with the GAC and senior management if there are significant interim changes to the internal audit plan
- ▶ Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS in the UK Public Sector
- ▶ Follow up on engagement findings and confirm the implementation of recommendations or action plans and communicate the results of internal audit services to the GAC and senior management periodically and for each engagement as appropriate
- ▶ Ensure the internal audit function collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS in the UK Public Sector and fulfil the internal audit mandate (in public sector internal audit, the HoIA is required to have a CMIA, or a CCAB qualification, or an equivalent professional qualification which includes training on the practice of internal audit, and suitable internal audit experience)
- ▶ Identify and consider trends and emerging issues that could impact the Council and communicate to the GAC and senior management as appropriate
- ▶ Consider emerging trends and successful practices in internal auditing
- ▶ Establish and ensure adherence to methodologies designed to guide the internal audit function
- ▶ Ensure adherence to relevant policies and procedures unless such policies and procedures conflict with the internal audit charter or the GIAS; any such conflicts will be resolved or documented and communicated to the GAC and senior management
- ▶ Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services; if the HoIA cannot achieve an appropriate level of coordination, the issue will be communicated to senior management (including the barriers to effective co-ordination with other assurance providers) and if necessary escalated to the GAC.

Communication with the Governance and Audit Committee and Senior Management

The HoIA will report quarterly to the GAC and senior management regarding:

- ▶ The internal audit function's mandate
- ▶ The internal audit plan and performance relative to its plan
- ▶ Internal audit budget
- ▶ Significant revisions to the internal audit plan and budget
- ▶ Potential impairments to independence, including relevant disclosures as applicable
- ▶ Results from the quality assurance and improvement program, which include the internal audit function's conformance with the GIAS in the UK Public Sector and action plans to address the internal audit function's deficiencies and opportunities for improvement
- ▶ Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the GAC
- ▶ Results of assurance and advisory services
- ▶ Resource requirements
- ▶ Management's responses to risk that the internal audit function determines may be unacceptable or acceptance of a risk that is beyond the Council's risk appetite.

Quality Assurance Improvement Programme

The HoIA will develop, implement, and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit function.

The program will include external and internal assessments of the internal audit function's conformance with the GIAS in the UK Public Sector, as well as performance measurement to assess the internal audit function's progress toward the achievement of its objectives and promotion of continuous improvement.

The plan will assess the efficiency and effectiveness of internal audit and identify opportunities for improvement.

Annually, the HoIA will communicate with the GAC and senior management about the internal audit function's QAIP, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments.

External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside BDO. Qualifications must include at least one assessor holding an active Certified Internal Auditor credential. For public sector internal audit, such a person should have an understanding of the GIAS commensurate with the Certified Internal Auditor designation, including internal audit relevant continuing professional development and an understanding of how the GIAS are applied in the UK public sector.

SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

The scope of internal audit services covers the entire breadth of the Council, including all the Council's activities, assets, and personnel.

The scope of internal audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the GAC and management on the adequacy and effectiveness of governance, risk management, and control processes for the Council.

The nature and scope of advisory services may be agreed with the party requesting the service, provided the internal audit function does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- ▶ Risks relating to the achievement of the Council's strategic objectives are appropriately identified and managed

- ▶ The actions of the Council's officers, directors, management, employees, and contractors or other relevant parties comply with organisational policies, procedures, and applicable laws, regulations, and governance standards
- ▶ The results of operations and programs are consistent with established goals and objectives
- ▶ Operations and programs are being carried out effectively and efficiently
- ▶ Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Council
- ▶ The integrity of information and the means used to identify, measure, analyse, classify, and report such information is reliable
- ▶ Resources and assets are acquired economically, used efficiently and sustainably, and protected adequately.

INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

The tables below contain some of the performance measures and indicators that are considered to have the most value in assessing the efficiency and effectiveness of internal audit.

The GAC should approve the measures which will be reported to each meeting and / or annually as appropriate. In addition to those listed here we also report on additional measures as agreed with management and included in our Progress Report.

TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT

MEASURE / INDICATOR
Audit Coverage Annual Audit Plan delivered in line with timetable. Actual days are in accordance with Annual Audit Plan.
Relationships and customer satisfaction Customer satisfaction reports - overall score at average at least 3.5 / 5 for surveys issued at the end of each audit. Annual survey to GAC to achieve score of at least 70%. External audit can rely on the work undertaken by internal audit (where planned).
Staffing and Training At least 60% input from qualified staff.
Audit Reporting Issuance of draft report within 3 weeks of fieldwork 'closing' meeting. Finalise internal audit report 1 week after management responses to report are received. 90% recommendations to be accepted by management. Information is presented in the format requested by the customer.
Audit Quality High quality documents produced by the auditor that are clear and concise and contain all the information requested. Positive result from any external review.

MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

The management and staff of the Council commit to the following:

- Providing unrestricted access to all of the Council's records, property, and personnel relevant to the performance of engagements
- Responding to internal audit requests and reports within the agreed timeframe and in a professional manner
- Implementing agreed recommendations within the agreed timeframe
- Being open to internal audit about risks and issues within the Council
- Not requesting any service from internal audit that would impair its independence or objectivity
- Providing honest and constructive feedback on the performance of internal audit.

The following three indicators are considered good practice performance measures, but we go beyond this and report on a suite of measures as included in each GAC Progress Report.

TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF

MEASURE / INDICATOR
Response to Reports Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.
Implementation of recommendations Audit sponsor to implement all audit recommendations within the agreed timeframe.
Co-operation with internal audit Internal audit to confirm to each meeting of the GAC whether appropriate co-operation has been provided by management and staff.

BDO CONTACTS

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Governance and Audit Committee

Wednesday, 19 March 2025

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

2024/25 Accounting Policies and Publication Date of the Statement of Accounts

Report Author

David Scott, Assistant Director of Finance and Deputy Section 151 Officer

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Purpose of Report

The Council's Accounting Policies are reviewed annually, prior to the preparation of the Statement of Accounts, to ensure they are up to date and in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (The Code).

Recommendations

The Committee is recommended to:

1. Approve the Statement of Accounting Policies to be used in the production of the 2024/25 Financial Statements (Appendix A).
2. Note the publication dates for the draft and final audited Financial Statements.

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

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

Prior to the compilation of the Statement of Accounts for 2024/25 it is important that members of Governance and Audit Committee have the opportunity to comment on the accounting policies to be used in the production of the financial statements. These policies, if agreed, will be applied to the treatment of all transactions that make up the figures in the Statement of Accounts. This will ensure the accounts present a true and fair view of the financial position of the Council at the balance sheet date and of the Income and Expenditure for the 2024/25 financial year.

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

Legal and Governance

- 1.1 Local authorities are required by the Local Audit and Accountability Act 2014 to prepare a Statement of Accounts in accordance with relevant regulations. The policies referred to are a requirement of the Accounts and Audit (England) Regulations 2015. Any updates and amendments should be reported to Governance and Audit Committee in accordance with its role to approve the Statement of Accounting Policies)

Completed by: *Graham Watts, Monitoring Officer*

2. Background to the Report

- 2.1 The Council is required to disclose its accounting policies applied to all material balances and transactions within its Statement of Accounts. These are produced in line with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (The Code).
- 2.2 It is good practice to consider and adopt the accounting policies in advance of the production and approval of draft accounts. Consequently, all accounting policies have been reviewed for the 2024/25 financial year to ensure they comply with The Code.

- 2.3. The 2024/25 CIPFA Code requires the adoption of International Financial Reporting Standard (IFRS) 16 Leases. The accounting for lessors remains largely unchanged; however, where the Council is a lessee, the accounting treatment will differ. All leases (except those of less than 12 months duration or deemed to be of low value) will be accounted for as right of use assets with a corresponding lease liability through the balance sheet rather than an expense within the Comprehensive Income and Expenditure Statement.
- 2.4. No other significant changes are required.
- 2.5. Appendix A details the accounting policies to be applied in the preparation of the 2024/25 Statement of Accounts.
- 2.6. The following table details the publication dates for the draft and final audited 2024/25 Statement of Accounts subject to government consultation.

	Publication date of 2024/25 Statement of Accounts
Draft Statement of Accounts	30 June 2025
Audited Statement of Accounts	27 February 2026

- 2.7. During the year-end process, changes may be required to the policies arising from changes in circumstances or updated guidance. These will be agreed with the Section 151 Officer and reported to Governance and Audit Committee alongside the final Statement of Accounts.

3. Key Considerations

- 3.1. The accounting policies have been produced in accordance with The Code with which the Council is required to comply when producing the Statement of Accounts.

4. Other Options Considered

- 4.1. No other options are available as the Council is required to comply with the Code.

5. Reasons for the Recommendations

- 5.1. As part of the Accounts and Audit (England) Regulations 2015 Local Authorities are required to include Accounting Policies in the Statement of Accounts.

6. Appendices

- 6.1. Appendix A – 2024/25 Statement of Accounting Policies.

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STATEMENT OF ACCOUNTING POLICIES

I. GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015. These regulations require the Statement of Accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 and supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

II. ACCRUALS OF INCOME AND EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risks and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument, rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- The impact of IFRS15: Revenue from Contracts with Customers has been considered and deemed to have no material impact.

III. CASH AND CASH EQUIVALENTS

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in 30 days or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Cash Flow Statement, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Council's cash management.

IV. CHARGES TO REVENUE FOR NON-CURRENT ASSETS

Services, support services and trading accounts are debited with the following amounts to record the cost of holding non-current assets during the year.

- Depreciation attributable to the assets used by the relevant service.
- Revaluation and Impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the loss can be written off.
- Amortisation of intangible assets attributable to the service.

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance. Depreciation, revaluation and impairment losses and amortisation are therefore replaced by the contribution in the General Fund Balance by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

V. COUNCIL TAX AND NON-DOMESTIC RATES

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of major preceptors (including government for NDR) and, as, principals, collecting council tax and NDR for themselves. Billing authorities are required by statute to maintain a separate fund (i.e. the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR. Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council TAX and NDR

The council tax and NDR included in the Comprehensive Income and Expenditure Statement is the council's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

VI. EMPLOYEE BENEFITS

Benefits Payable during Employment

Short-term employee benefits are those due to be settled within 12 months of the year end. They include such benefits as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits for current employees. These expenses are charged on an accruals basis to the relevant service line of the Comprehensive Income and Expenditure Statement.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy in exchange for those benefits. They are charged on an accruals basis to the appropriate service, or where applicable, to the Non Distributed Costs line in the Comprehensive Income and Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the council recognises costs for a restructuring.

Post-Employment Benefits

Employees of the Council are members of the Local Government Pension Fund, administered by Lincolnshire County Council. The scheme provides defined benefits to members (retirement lump sums and pensions), earned as employees worked for the Council.

The Council recognises the cost of retirement benefits in the revenue account when employees earn them, rather than when the benefits are eventually paid as pensions.

Local Government Pension Scheme

The Local Government Scheme is accounted for as a defined benefit scheme:

- The liabilities of the Lincolnshire County Council pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc, and projected earnings for current employees.
- The assets of the Lincolnshire County Council pension fund attributable to the Council are included in the balance sheet at their fair value.

The change in the net pensions liability is analysed into the following components:

- Service Cost comprising:
 - Current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the revenue accounts of services for which the employees worked
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income

and Expenditure Statement as part of Non Distributed Costs

- Net interest on the net defined pension liability (asset) i.e. net interest expense for the Council – the change during the period in the net defined benefit liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. Remeasurement comprising:
 - The return on plan assets – excluding amounts included in net interest on the defined benefit liability (asset) charged to the Pension Reserve as Other Comprehensive Income and Expenditure
 - Actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumption – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure.
 - Contributions paid to the Lincolnshire County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund Balance to be charged with the amount payable by the Council to the pension fund or directly to pensioners in the year, not the amount calculated according to the relevant accounting standards.

In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Discretionary Benefits

The Council has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award to any member of staff are accrued in the year of the decision to make the award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

VII. FINANCIAL INSTRUMENTS

Financial Liabilities

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For all of the borrowing that the Council has, this means that the amount presented in the Balance Sheet is the outstanding principle repayable (plus accrued interest) and interest charged to the Comprehensive Income and Expenditure Account is the amount payable for the year in the loan agreement.

Financial Assets

Financial assets are classified based on a classification and measurement approach that reflects the business model for holding the financial assets and their cashflow characteristics. There are three main classes of financial assets measured at:

- amortised cost
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI).

The Council's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (ie where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost.

Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for Statements the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Expected Credit Loss Model

The Council recognises expected credit losses on all of its financial assets held at amortised cost, either on a 12-month or lifetime basis. The expected credit loss model also applies to lease receivables and contract assets. Only lifetime losses are recognised for trade receivables (debtors) held by the Council.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. Credit risk plays a crucial part in assessing losses. Where risk has increased significantly since an instrument was initially recognised, losses are assessed on a lifetime basis. Where risk has not

increased significantly or remains low, losses are assessed on the basis of 12-month expected losses.

Financial Assets Measured at Fair Value through Profit or Loss

Financial assets that are measured at FVPL are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Fair value gains and losses are recognised as they arrive in the Surplus or Deficit on the Provision of Services.

The fair value measurements of the financial assets are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.
- Level 3 inputs – unobservable inputs for the asset.

Any gains and losses that arise on the derecognition of the asset are credited or debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement.

VIII. GOVERNMENT GRANTS & OTHER CONTRIBUTIONS

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Council when there is reasonable assurance that:

- The Council will comply with the conditions attached to the payments, and
- The grants or contributions will be received

Amounts recognised as due to the Council are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contributions have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potentially embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Money advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant service line (attributable revenue grants and contributions) or Taxation and Non Specific Grant Income (non ring-fenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

IX. HERITAGE ASSETS

Heritage assets are held or maintained principally for their contribution to knowledge and culture. They are initially recognised at cost if this is available. If cost is not available, values are only included in the Balance Sheet where the cost of obtaining valuation is not disproportionate to the benefit derived. For most of the Council's heritage assets, insurance valuations are used. Where no market exists or the asset is deemed to be unique, and it is not practicable to obtain a valuation, the asset is not recognised in the Balance Sheet but disclosed in the notes to the accounts.

Heritage assets are depreciated over their useful life if this can be established. If an asset is considered to have an indefinite life, no depreciation is charged. Disposals, revaluation gains and losses and impairments of heritage assets are dealt with in accordance with the Council's policies relating to property, plant and equipment.

The cost of maintenance and repair of heritage assets is written off in the year incurred.

X. INTANGIBLE ASSETS

Expenditure on non-monetary assets that do not have physical substance but are identifiable and controlled by the Council (e.g. software licences) is capitalised when it is expected that future economic benefits or service potential will flow from the intangible asset to the Council.

Expenditure on the development of the Council's website is not capitalised.

Intangible Assets are measured initially at cost. Amounts are only revalued where the fair value of the assets held by the Council can be determined by reference to an active market. In practice, no intangible asset held by the Council meets this criterion, and they are therefore carried at amortised cost. The depreciable amount of an intangible asset is amortised over its useful life to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. An asset is tested for impairment whenever there is an indication that the asset might be impaired – any losses recognised are posted to the relevant service line(s) in the Comprehensive Income and Expenditure Statement. Any gains or losses arising on the disposal or abandonment of an intangible asset is posted to the Other Operating Expenditure Line in the Comprehensive Income and Expenditure Statement.

Where expenditure on intangible assets qualifies as capital expenditure for statutory purposes, amortisation, impairment losses and disposal gains and losses are not permitted to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

The useful life of intangible assets is assessed by the Chief Finance Officer at the time of acquisition. Intangible assets are derecognised when no future economic benefits are expected from them.

XI. INTERESTS IN COMPANIES AND OTHER ENTITIES

The Council has a material interest in LeisureSK Ltd. The nature of this relationship has been assessed and is deemed to be a subsidiary and as a result produces Group Accounts for LeisureSK Ltd.

XII. INVENTORIES AND LONG TERM CONTRACTS

Inventories are included in the Balance Sheet at the lower of cost and net realisable value.

Long term contracts are accounted for on the basis of charging the Surplus or Deficit on the provision of services with the value of works and services received under the contract during the financial year.

XIII. INVESTMENT PROPERTY

Investment properties are those that are used solely to earn rentals and/or for capital appreciation. The definition is not met if property is used in any way to facilitate the delivery of services or production of goods or is held for sale.

Investment properties are measured initially at cost and subsequently at fair value, being the price that would be received to sell such an asset in an orderly transaction between market participants at the measurement date. As a non-financial asset investment properties are measured at highest and best use. Properties are not depreciated but are revalued annually according to market conditions at the year end. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

XIV. LEASES**The Council as Lessee**

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use.

A right of use asset and corresponding lease liability are recognised at commencement of the lease.

The lease liability is measured at the present value of the lease payments, discounted at the rate implicit in the lease, or if that cannot be readily determined, at the lessee's incremental borrowing rate specific to the term and start date of the lease.

The right of use asset is initially measured at cost, comprising: the initial lease liability; any lease payments already made less any lease incentives received; initial direct costs; and any dilapidation or restoration costs. The right of use asset is subsequently depreciated on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset. The right of use asset is tested for impairment if there are any indicators of impairment. Leases of low value assets (value when new less than £10,000) and short-term leases of 12 months or less are expensed to the Comprehensive Income and Expenditure Statement.

The Council as Lessor

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a premium paid at the commencement of the lease).

XV. OVERHEADS AND SUPPORT SERVICES

The costs of overheads and support services are charged to service segments in accordance with the Council's arrangements for accountability and financial performance.

XVI. PROPERTY, PLANT AND EQUIPMENT

Assets that have physical substance and are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property Plant and Equipment.

Recognition:

Expenditure on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council, over more than one year and that the cost of the item can be measured reliably. Expenditure that maintains but does not add to an assets potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

The Council has a de-minimis of £10,000 for capital expenditure, with the exception of the purchase of motor vehicles. Where the total cost of an asset is higher than £10,000 but only part of the expenditure has occurred within a financial year that expenditure would be included in the balance sheet even if it was below the de minimis level.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management

The Council does not capitalise borrowing costs incurred while assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Council). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Council.

Assets are then carried in the Balance Sheet using the following measurement bases:

- Dwellings – current value determined using the basis of existing use value for social housing (EUV-SH). The social housing discount applied in 2024/25 is 42%.
- Community assets and assets under construction – historic cost.
- Plant, Vehicles & Equipment – depreciated historical cost

- All other classes of assets – current value, unless there is no market-based evidence of fair value because of the specialist nature of the asset. In this case fair value is estimated using the Depreciated Replacement Cost method.

Assets included in the Balance Sheet at current value are re-valued where there have been material changes in the value, but as a minimum every five years. Valuations of property assets are carried out by the District Valuer, an external, qualified valuer, who is independent of the Council. The method of valuations is as recommended by CIPFA and in accordance with the principles and guidance notes issued by the Royal Institute of Chartered Surveyors. Operational assets constructed or acquired during the year will be re-valued on 31 March of the following year.

Increases as a result of revaluations are debited to the appropriate asset account, with the opposite entry going to the Revaluation Reserve to recognise unrealised gains, except to the extent where it reverses a previous revaluation loss that was charged to a service revenue account within the Comprehensive Income & Expenditure Statement. In this case the revaluation gain will first be used to offset the previous loss and any further gain is then taken to the Revaluation Reserve. Revaluation gains charged to Surplus or Deficit on Provision of Services are transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

Decreases as a result of revaluation, which are not specific to one asset but affect several, are revaluation losses as opposed to impairments. The decrease is recognised in the Revaluation Reserve up to the balance in respect of each asset affected and then in Surplus or Deficit on Provision of Services. Any such charge taken to Surplus or Deficit on Provision of Services is then transferred to the Capital Adjustment Account and reported in the Movement in Reserves Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant service line(s) in the Comprehensive Income and Expenditure Statement,

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction).

A full year of depreciation is charged in the year of acquisition and none in the year of disposal.

Depreciation is calculated on the following bases:

- Land is not depreciated as it will not have a finite life.
- Council Dwellings and Other Buildings are depreciated using the straight line method. The finite useful life is assessed by the District Valuer at the time of revaluation but for Council Dwellings is usually 50 years, and for other buildings is between 1 and 60 years.
- Plant and Equipment are also depreciated by the straight line method. Useful life is assessed by the Chief Finance Officer at the time of acquisition, usually between 3 and 10 years. Some assets have a longer life span, up to 30 years.
- Vehicles are depreciated using the reducing balance method at a rate of 25% per annum.
- Non-current assets held-for sale are not depreciated.

Where an item of Property, Plant and Equipment asset has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately.

Revaluation gains are also depreciated with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historic cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Componentisation

Only assets with a carrying amount more than or equal to £500,000 at the beginning of the financial year are considered for componentisation. To be recognised as a component the value of the part of the asset being considered must be more than or equal to 10% of the value of the asset, and have a life less than or equal to half that of the main asset. When a component is replaced, the carrying amount of the old component is derecognised and the new component is recognised. If the carrying amount of the old component is not known, this is estimated by indexing back from the cost of the new component and adjusting for depreciation and impairment over the old component's useful life. The Building Costs Index will be used.

The depreciation calculated is charged to the service revenue accounts, central support service accounts and trading accounts.

Revaluation gains are also depreciated, with an amount equal to the difference between current value depreciation charged on assets and the depreciation that would have been chargeable based on their historical cost being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals and Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is classified as an Asset Held for Sale. The asset is revalued immediately before reclassification and then carried at the lower of this amount and fair value less costs to sell. Where there is a subsequent decrease to a fair value less costs to sell, the loss is posted in the Other Operating Expenditure line in the Comprehensive Income and Expenditure statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not reclassified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of receipts related to housing disposals is payable to the Government. The balance of receipts remains within the Capital Receipts Reserve and can then only be used for new capital investment or set aside to reduce the Council's underlying need to borrow (the capital financing requirement).

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing.

XVII. PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**Provisions**

Provisions are made where an event has taken place that gives the Council a legal or constructive obligation that probably requires settlement by a transfer of economic benefits or service potential, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income and Expenditure Statement when the Council becomes aware of the obligation and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each financial year - where it becomes less than probable that a transfer of economic benefits will now be required (or a

lower settlement than anticipated is made), the provision is reversed and credited back to the relevant service.

Where some or all of the payment required to settle a provision is expected to be recovered from another party (e.g. from an insurance claim), this is only recognised as income for the relevant service if it is virtually certain that reimbursement will be received if the obligation is settled.

The council has made a provision for settling the self-insured element of Public Liability insurance claims.

Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

Contingent Assets

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent assets are not recognised in the Balance Sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

XVIII. RESERVES

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement. The reserve is then transferred back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes e.g. for non-current assets, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

XIX. REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of a non-current asset has been charged as expenditure to the relevant service in the Comprehensive Income and Expenditure Statement in the year. Where the Council has determined to meet the cost of this expenditure from existing capital resources or by borrowing, a transfer in the Movement in Reserves Statement from the General Fund Balance to the Capital Adjustment Account then reverses out the amounts charged so that there is no impact on the level of council tax.

XX. VAT

VAT is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue and Customs. VAT receivable is excluded from income.

XXI. FAIR VALUE MEASUREMENT

The Council measures some of its non-financial assets such as surplus assets and investment properties at fair value at each reporting date. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The council measures the fair value of an asset or liability using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

When measuring the fair value of a non-financial asset, the council takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset



SOUTH
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Governance and Audit Committee

Wednesday, 19 March 2025

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

Treasury Management Report Quarter 3 2024/25

Report Author

David Scott, Assistant Director of Finance and Deputy Section 151 Officer

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Purpose of Report

The Quarter 3 Report is a requirement of the Council's reporting procedures and provides a summary of treasury activities to the end of December 2024. The report also covers the actual position to date on the Prudential Indicators in accordance with the Prudential Code.

Recommendations

Governance and Audit Committee is asked to:

- 1. note the treasury position contained with the Quarter 3 review and compliance with the prudential indicators for 2024/25**

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 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 throughout this report

Completed by: Richard Wyles, Deputy Chief Executive and S151 officer

Legal and Governance

- 1.2 This report provides details of the Council's performance in respect of Treasury management against policy set out as part of the budget and Policy Framework. Members should note the performance and scrutinise any elements to assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy.
- 1.3 The report meets the requirements of both the CIPFA Code of Practice on Treasury Management 2021 and the CIPFA Prudential Code for Capital Finance in Local Authorities. The Council is required to comply with both Codes through Regulations issued under the Local Government Act 2003.

Completed by: Graham watts, Monitoring Officer

Risk and Mitigation

- 1.4 Risk has been considered as part of this report. The treasury strategy has been compiled in conjunction with the Council's treasury advisors and is monitored by the committee on a regular basis

Completed by: Tracey Elliott, Governance and Risk Officer

2. Background to the Report

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

- 2.2. Under part 1 of the Local Government Act 2003, the Council is required to have regard to the Prudential Code for capital finance including the setting of prudential indicators. Relevant treasury management indicators were incorporated into the Treasury Management Strategy 2024/25 approved by Council on 29 February 2024.
- 2.3. This report is written in accordance with these requirements and provides a review of treasury management for the period ended 31 December 2024 and reviews current developments. The following elements are covered by the report:
 - A review of debt management operations
 - A review of investment operations
 - An update on the treasury management Prudential Code Indicators
- 2.4. The CIPFA Treasury Management Panel promotes the view that Councils should monitor performance on a quarterly basis.

3. Treasury Management Update

Debt Management Operations - Borrowing

- 3.1. No additional borrowing was required during the third quarter of 2024/25. All current Council borrowing is with the Public Works Load Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.49%. Appendix A includes details of loans outstanding as at 31 December 2024. Regular reviews are undertaken to consider redemption costs of natural maturity against new borrowing to settle the outstanding debt early
- 3.2. Short-term borrowing is defined as borrowing due to be repaid within 365 days. As at 31 December 2024, the Council had short-term borrowing of £3.221m. This will be repaid in two instalments of £1.611m on 28 March 2025 and 28 September 2025. The average annual rate of interest on these loans is 3.03%.
- 3.3. All debt relates to the Housing Revenue Account (HRA) and self-financing regime. The General Fund is debt free.

Investment Operations

- 3.4. The average size of the investment portfolio for the 3-month period was £83.298m compared to an average portfolio size of £84.899m during the same period in 2023/24.
- 3.5. The slight decrease in the portfolio is due to the use of funds for various capital schemes during 2024/25.

Investment Activity in the period ended 31 December 2024

- 3.6. The Council operates a diverse portfolio and uses a number of methods to invest its reserves including direct deposit; notice accounts; and money market funds. As at 31 December 2024, the Council held short-term investments of £71.564m (specified investments) and £3m (non-specified investments).
- 3.7. The Treasury Management Strategy stipulates the Council should not ordinarily hold more than 35% of investments as non-specified; this was adhered to during the third quarter of 2024/25. A schedule of investments at 31 December 2024 is set out in Appendix A
- 3.8. Short-term Fixed Deposits – In the period ended 31 December 2024, £25m of short-term fixed deposits were placed; £25m of investments matured within the same period.
- 3.9. Long Term fixed Deposits – In the period ended 31 December 2024, no long-term fixed deposits were placed, and no long-term fixed deposits matured.
- 3.10. Overall interest rate returns are exceeding budget and are summarised in the table below. These are a welcome boost to the council finances and will support delivery of wider corporate objectives.

Investment Income	Budget £'000	Forecast £'000	Variance £'000	Variance %
General Fund	914	1,360	446	49%
HRA	2,099	3,173	1,074	51%
Total	3,013	4,533	1,520	50%

Treasury Management Prudential Code Indicators

- 3.11. Prudential Code Indicators specific to treasury management are designed to ensure treasury management is conducted in accordance with good professional practice. Indicators for 2024/25, 2025/26, and 2026/27 were approved by Council on 29 February 2024 as part of the Treasury Management Strategy 2024/25.
- 3.12. The 2024/25 indicators and actual figures for the three months to 31 December 2024 are set out at Appendix A. All investment activity has been maintained within the indicator limits.
- 3.13. There is an impact relating to pooled investment funds which affects the Council because it has £3m invested in the CCLA property fund. This investment, by its very nature, is considered to be a long-term investment and therefore can be subject to potential fluctuations in valuation as asset values could rise and fall based on the prevailing economic conditions. Previously, a statutory override has been in place,

but during recent consultation the Government had indicated this would be removed on 31st March 2025. This would mean any subsequent gains or losses on the overall fund value would need to be credited or charged to the General Fund.

- 3.14. However, following a recent Local Government Finance Settlement consultation, the Government has decided to implement transitional arrangements whereby legacy investments already in place at the end of the previous financial year, that the override will continue to apply for these investments until 1st April 2029. This is welcome news for the Council because any potential losses that could have been charged to the revenue account will be avoided. Overall, the interest gained from holding the investment since its inception would exceed any potential loss.

4. Key Considerations

- 4.1 These are considered throughout the report.

5. Other Options Considered

- 5.1. No other options considered. If the report was not provided councillors would not be aware of the ongoing management of the treasury functions and appropriate scrutiny would not be undertaken in accordance with the treasury framework.

6. Reasons for the Recommendations

- 6.1. The Prudential Code requires the Council to monitor and report performance on Treasury Management activities at least quarterly. The Governance and Audit Committee is the body responsible for treasury management functions. To facilitate the decision making process, and to support capital investment decisions, the Prudential Code requires the Council to agree and monitor a minimum number of prudential indicators.

7. Background Papers

- 7.1. Treasury Management Strategy 2024/25
<https://moderngov.southkesteven.gov.uk/documents/s41022/Appendix%%202024-25%20Treasury%20Management%20Strategy%20Statement.pdf>

8. Appendices

- 8.1. Appendix A – Treasury Management Prudential Indicators

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Appendix A

Debt Maturity Analysis – Public Works Loan Board as at 31 December 2024

All current external borrowing is classified under the HRA.

Duration	Amount £000
Less than one year	3,222
Between one and two years	3,222
Between two and five years	9,665
Between five and ten years	16,109
Between ten and fifteen years	41,109
Over fifteen years	8,054
Total	81,380

Investment Maturity Analysis – Schedule of Cash Funds

	As at 30 December 2024 £000	Interest Rate %
Short Term Investments		
Aberdeen Standard MMF	5,000	variable
Federated Prime3 MMF	510	variable
Invesco MMF	3,054	variable
LGIM	5,000	variable
Standard Chartered	9,000	4.73
Goldman Sachs	5,000	4.93
SMBC	8,000	4.83
Lloyds	9,000	4.91
Santander	10,000	4.95
Local Authorities	13,000	4.80
Newcastle BS	2,000	5.00
Principality BS	2,000	4.85
Total Short-Term	71,564	(average rate) 4.85
Long Term Investments		
CCLA Local Authority Property Fund	3,000	4.91*
Total Long-Term	3,000	(average rate) 4.91

*Dividend yield on Net Asset Value as at 30 December 2024

External Debt Indicators

Authorised Limit

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

Authorised Limit For external debt	2024/25 £000	As at 30 December 2024 £000
Debt (non HRA)	40,000	0,000
HRA Reform	115,000	81,380
Other Long-term liabilities	0,000	0,000
Total	155,000	81,380

Operational Boundary

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

Operational Limit for external debt	2024/25 £000	As at 30 December 2024 £000
Debt (non HRA)	22,000	0,000
HRA Reform	100,000	81,380
Other Long-term liabilities	0,000	0,000
Total	122,000	81,380



SOUTH
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Governance and Audit Committee

Wednesday, 19 March 2025

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

Strategic Risk Register including Emerging Risk Radar

Report Author

Tracey Elliott, Governance & Risk Officer

✉️ tracey.elliott@southkesteven.gov.uk

Purpose of Report

To provide an update on the Council's Strategic Risk Register including the Emerging Risk Radar.

Recommendation

The Committee is asked to approve:

1. The outcomes of the Emerging Risk Assessment and recommended updates to the Strategic Risk Register
2. The Emerging Risk Radar

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

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 There are no specific financial comments arising from this report.

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

Legal and Governance

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

Completed by: Graham Watts, Monitoring Officer

2. Background to the Report

- 2.1 One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the risk management arrangements in place and the activities that are being undertaken to mitigate those risks. In accordance with Governance and Audit Committee's workplan, the Strategic Risk Register is presented to Committee twice a year for review.
- 2.2 Ensuring the ongoing effectiveness of the internal control environment is incumbent on those charged with governance at the Council. In doing so, the Council can demonstrate that it is protecting public funds, resources, and assets as well as staff, customer, and wider stakeholder interests. The Governance and Audit Committee rely on a number of assurance mechanisms for this purpose, including reports generated from within the Council, Scrutiny and Overview, and externally generated eg internal audit.
- 2.3 The Strategic Risk Register was last reviewed by the Committee at its meeting on 29 September 2024.
- 2.4 An assessment of the emerging risks facing the Council has been undertaken for the purpose of:

- a. comparing the outcomes with the Strategic Risk Register and determining where updates are required; and
- b. creating an Emerging Risk Radar to aid ongoing monitoring of risk events on which the Council wish to remain mindful of as part of future risk management and decision making

2.5 As a reference point, the revised UK Code of Corporate Governance identifies the above as a requisite of good governance. This requirement translates into the Council setting as an organisation that is in the public interest and therefore is incumbent on those charged with governance.

Emerging Risk Radar

2.6 An Emerging Risk Radar workshop was facilitated by RSM on 10 February 2025 with Corporate Management Team. RSM's Emerging Risk Radar, which accompanied the Strategic Risk Register item on 29 September 2024 to Governance and Audit Committee, was used as a basis for the assessment allowing for compare and contrast against the Council's risk environment, activities, and circumstances.

2.7 In undertaking the above the following outcomes were achieved and are outlined in appendix A :

- a) Updates to the Strategic Risk Register including new strategic risks, and new actions to better manage the risk in future.
- b) The creation of the Council's Emerging Risk Radar (Appendix A)

2.8 The following proposed new risks have been identified for inclusion within the Strategic Risk Register:

- **Homelessness and poor housing conditions** eg future funding, responding to damp and mould/serious hazards (response within 24 hours from October 2025 when Law). Access to affordable housing and the impact on individuals, families, and SKDC communities
- **Local Government Reorganisation** – implications and preparedness of the Council
- **Devolution** – service delivery implications on the Council

2.9 The Council's Emerging Risk Radar has also identified some new actions to be included in the next version of the Strategic Risk Radar. These are captured in Appendix A – Emerging Risk Radar and affect Strategic Risks 7, 8 and 12.

Strategic Risk Register

2.10 Strategic risks continue to be monitored, and actions have been updated. These are captured in Appendix B – Strategic Risk Register and summarised below.

2.11 **Risk 1 – Successful/serious cyber security attack on the Council:** This has been updated as the Council has accepted a £15,000 'Get Cyber Assessment Framework Ready Grant' from the Ministry of Housing, Communities and Local Government to use for cyber security improvement projects. This will be used for cloud backup storage and the replacement of the Wireless Access Points in SK House.

2.12 **Risk 2 – Serious safeguarding failure by the Council:** The action around training has been implemented with required training programmes suitable for staff who have little or no contact with members of the public and a more intense programme for those who work regularly with the public and are likely to make a referral. The programmes are based on the National Competencies for Safeguarding training and are compliant with the 6-year training pathways of the Lincolnshire Safeguarding Children Partnership and the Lincolnshire Safeguarding Adults Board.

2.13 **Risk 3 – Serious health, safety, and well-being failure by the Council:** The action around formalising the lessons learned from incidents/near misses has been completed with a monthly report being received by Statutory Officers Group for review.

2.14 **Risk 4 – Ineffective financial management:** The review of the Financial Regulations will be undertaken during 2025/26.

2.15 **Risk 5 – Unable to maintain and build quality and consistency in service provision by the Council:** The action around service planning is being completed with annual service planning undertaken which aligns to the Corporate Plan priorities. People Strategy is being reviewed to include succession planning and the development of staff. As a result of the work undertaken around succession planning, this control has been changed to *Effective*.

2.16 **Risk 6 – Unable to maintain and build sufficient staffing capacity and capability – update as above.**

2.17 **Risk 7 – Failure to explore digital transformation of Council Services:** The ICT Strategy, in accordance with the service plan, is being reviewed with completion by September 2025.

2.18 **Risk 8 – Not maintaining and developing fruitful partnerships and collaborations:** The action around the development of a partnership strategy will be placed on hold pending Local Government Reorganisation. The Partnerships Register remains under review and KPIs will be developed.

2.19 **Risks 9 to 13 and 15:** There is a continuance of existing controls to ensure the risks are being managed.

2.20 **Risk 14 – Significant fraud/theft successfully committed against the Council:** The fraud risk assessment action plan is being developed and counter fraud, bribery and corruption elearning is being rolled out.

Next steps

2.21 The additional risks identified from the review of the Emerging Risk Radar will be added to the Strategic Risk Register to include the potential key causes and possible effects if realised; the existing key controls and enablers including an assessment of effectiveness; the residual risk score; and any actions to be taken.

2.22 The Emerging Risk Radar will be kept under review alongside the Strategic Risk Register as part of the risk management arrangements.

2.23 Given the completion of the above, Corporate Management Team will revisit the strategic risks with a view to assessing the risk appetite in each case as required by the Risk Management Framework. This will then be explicitly stated in the Strategic Risk Register as part of the Council's development of its risk management maturity.

2.24 Officers will be encouraged to consider the Council's risk appetite in making decisions including explicit reference to this in committee reports where it is appropriate to do so eg that the level of risk associated with a decision might exceed the deemed risk appetite.

2.25 The outcomes of the risk appetite review will be reported in the Strategic Risk Register that will be presented to Committee in September 2025.

3. Key Considerations

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

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

4. Reasons for the Recommendations

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

5. Appendices

5.1 Appendix A – Emerging Risk Radar
5.2 Appendix B – Draft Strategic Risk Register

Emerging Risk Radar

South Kesteven District Council Emerging Risk Considerations

16

February 2025



Given the Council strategic objectives, what do you see as the emerging events or threats that could impact on the Council, either negatively or positively, and that you believe should be watched?

The revised UK Code of Corporate Governance directly translates into the Council setting in that *“The Board (in this case those charged with governance) should carry out a robust assessment of the Company’s (the Council’s) emerging and principal (strategic) risks. The Board should confirm in the annual report it has completed this assessment”*

A review of the RSM Emerging Risk Radar publication was undertaken to determine the relevance of the emerging risks to the Council in conjunction with an assessment of the current local government operating environment. In doing so, the Council identified where the current strategic risks and controls covered the emerging risk, as well as identifying changes for consideration to the current Strategic Risk Register including:

- a. Whether there was a new strategic risk
- b. An update to the strategic risk register
- c. An additional action required

An emerging risk might be defined as:

“A new or unforeseen level of uncertainty driven by external events – the risk may still be forming, and it may not be clear as to the implications for the Council, be these negative or positive”

To be watchful of these emerging risks, and how they might play through, is an important element of preparedness and the Council’s management of risk.

We have framed the Council’s emerging risks as:

- **Most prevalent:** A dominant emerging risk currently being tracked by the Council
- **Keep monitoring:** Those emerging risks that the Council continues to engage with
- **Worth watching:** Emerging risks over which the Council will remain vigilant

The emerging risks are constantly evolving, and shifting, and so are all worthy of consideration.

South Kesteven District Council Emerging Risk Considerations

01

What do you see as the emerging risks?

02

How far will these emerging risks affect the Council?

03

How far will these emerging risks play through into your existing strategic risks?

04

How far will they change the way you currently manage your strategic risks?

05

How will you respond?
How will you continue to review the emerging risks?

South Kesteven District Council

Emerging Risk Radar 2025

Societal and Community

- 1.1 Availability and effectiveness of wider public services affecting SKDC communities
- 1.2 Increasing awareness of mental health and physical wellbeing issues within SKDC communities
- 1.3 Homelessness and poor housing conditions
- 1.4 A further pandemic

Governance

- 8.1 Tick box governance. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability and trust
- 8.2 Developing and building member capacity and capability – fitness for future

Economic and Financial

- 6.1 Shifts in inflation, interest rates, salaries and wages, energy costs
- 6.2 Access to and availability of finance and funding including cost of finance and funding changes
- 6.3 Increasing levels of fraudulent activity making use of technology as a tool for doing so

People Resources

- 7.1 Shortages in skills and experience – reduced investment in staff development, temporary contracts more frequent, reduced pool of skilled staff with movement between employers and increasing lack of commitment to longer term career
- 7.2 Effective use of apprenticeship scheme by the Council

Political, Policy and Regulation

- 2.1 Change in government priorities resulting in new or changes to laws, policies, regulations affecting the Council
- 2.2 Geopolitical instability, including fall-out from and expansion of conflicts and the influence on SKDC communities
- 2.3 Local Government Reorganisation – implications and preparedness of the Council
- 2.4 Devolution – service delivery implications on the Council

Environmental

- 3.1 Ability of the Council to effectively engage and leverage off the sustainability agenda
- 3.2 Increasing weather pattern shifts/extreme weather impacting the UK and SKDC communities

Technological

- 4.1 Cyber attacks increasing in frequency and complexity
- 4.2 Impact of artificial intelligence both positive and negative implications on the Council

Commercial

- 5.1 Continued economic slow-down. Reduced spending by consumers and reduced/changes in spending by Government
- 5.2 The Council's role in facilitating investment within SKDC communities and businesses
- 5.3 Effectiveness of commercial ventures involving the Council
- 5.4 Effectiveness of Council partnerships/collaborations

South Kesteven District Council – Emerging Risks 2025

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Commentary

Additional actions identified

A new strategic risk entry



Most prevalent		Strategic Risk Register Impact
3.1	Ability of the Council to effectively engage with and leverage off the sustainability agenda	Covered by Strategic Risk 11 – Not sufficiently responding to climate change
4.1	Cyber attacks increasing in frequency and complexity. The cost of defence is increasing – attacks more disabling, coupled with loss of data in serious targeted attacks	Covered by Strategic Risk 1 – Successful/serious cyber security attack on the Council
5.4	Effectiveness of Council partnerships and collaborations	Covered by Strategic Risk 8 – Not maintaining and developing fruitful partnerships and collaborations
6.3	Increasing levels of fraudulent activity making use of technology as a tool for doing so	Additional action for Strategic Risk 14 – Significant fraud/theft successfully committed against the Council: <i>Fraud risk assessment to cover use of technologies and suitability of existing checks and balances</i>
Keep monitoring		Strategic Risk Register Impact
1.1	Availability and effectiveness of wider public services affecting SKDC communities	Additional action for Strategic Risk 8 – Not maintaining and developing fruitful partnerships and collaborations: <i>Understand how the Council can be more wired in to changes/outputs from partnership boards involving other agencies/bodies through creation of visible feedback loop</i>
1.2	Increasing awareness of mental health and physical wellbeing issues within SKDC communities	Covered by Strategic Risk 3 – Serious health, safety, and wellbeing failure by the Council
1.3	Homelessness and poor housing conditions eg future funding, responding to damp and mould/serious hazards (response within 24 hours from October 2025 when Law). Access to affordable housing and the impact on individuals, families, and SKDC communities	New strategic risk to be created in connection with housing/housing conditions

South Kesteven District Council – Emerging Risks 2025

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Commentary

Additional actions identified

A new strategic risk entry



Keep monitoring		Strategic Risk Register Impact
2.1	Change in government priorities resulting in new or changes to laws, policies, regulations affecting the Council	Covered by Strategic Risks 10 & 15 – Changes in legislation and effectively responding to national and local priorities
2.3	Local Government Reorganisation – implications and preparedness of the Council	New strategic risk to be created in connection with Local Government Reorganisation
2.4	Devolution – service delivery implications on the Council	New strategic risk to be created in connection with Devolution
3.2	Increasing weather pattern shifts/extreme weather impacting the UK and SKDC communities	Additional action for Strategic Risk 8 – Not maintaining and developing fruitful partnerships and collaborations: <i>The Council to position itself so that it is able to influence/facilitate the involvement and activities of other agencies in the interests of residents and best use of public resources, despite not necessarily carrying the statutory responsibility</i>
4.2	Impact of artificial intelligence both positive and negative implications on the Council	Strategic Risk 7 – Failure to explore digital transformation will be updated to reflect specifically AI including an additional action: <i>The Council to complete AI SWOT analysis to inform understanding and next steps</i>
5.2	The Council's role in facilitating investment within SKDC communities and businesses	Strategic Risk 12 – Not engaging with our key external stakeholders will be updated to specifically reference engagement with businesses including an additional action: <i>Undertake communication/promotion of the new economic development strategy with businesses for purposes of coordinating/facilitating funding and investment bids</i>

South Kesteven District Council – Emerging Risks 2025

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Commentary

Additional actions identified

A new strategic risk entry



Keep monitoring		Strategic Risk Register Impact
6.1	Shifts in inflation, interest rates, salaries and wages, energy costs	Covered by Strategic Risk 4 – Ineffective financial management
8.1	Tick box governance. Lack of transparency in decision making, conflicts of interest justified, and loss of accountability and trust	Covered by Strategic Risk 13 – Governance failure
8.2	Developing and building member capacity and capability – fitness for future	Covered by Strategic Risk 13 – Governance failure This will be updated to reflect the Councillor development programme with an additional action: <i>An action will be added to promote the benefits of the Councillor development programme</i>
Worth watching		
1.4	A further pandemic	No specific action planned currently except that action identified at emerging risk 1.1
2.2	Geopolitical instability, including fall-out from and expansion of conflicts and the influence on SKDC communities	Covered by Strategic Risk 15 – Unable to effectively respond to national and local political priorities
5.1	Continued economic slow-down. Reduced spending by consumers and reduced/changes in spending by Government	Covered by Strategic Risk 4 – Ineffective financial management
5.3	Effectiveness of commercial ventures involving the Council	Additional action for Strategic Risk 12 – Not effectively engaging with our key external stakeholders: <i>Keep under review investment needs of LeisureSK to ensure continued viability</i>

South Kesteven District Council – Emerging Risks 2025

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Commentary

Additional actions identified

A new strategic risk entry



Worth watching

7.1

Shortages in skills and experience – reduced investment in staff development, temporary contracts more frequent, reduced pool of skilled staff with movement between employers and increasing lack of commitment to longer term career

Covered by Strategic Risk 6 – Unable to maintain and build sufficient staffing capacity and capability

7.2

Effective use of apprenticeship scheme to build entry level capacity and build experience in local government in the future

Covered by Strategic Risk 6 – Unable to maintain and build sufficient staffing capacity and capability. This will be updated to reflect apprenticeships

6.2

Access to and availability of finance and funding including cost of finance and funding changes

Covered by Strategic Risk 4 – Ineffective financial management

Contact

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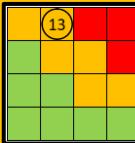
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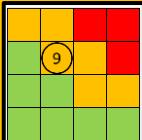
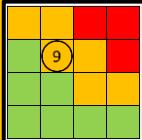
This is not subject to any form of validation. RSM cannot guarantee the completeness, accuracy or validity of the contents. The content is based on the views of board members and others with whom RSM have interacted as part of this process with the information gathered being collated, interpreted and summarised by RSM. The views are not necessarily representative of all sectors. There is no relationship of any kind created between RSM and the recipient / user of the emerging risk radar publication. The publication is for purposes of reference, compare, contrast and discussion as required by the recipient / user.

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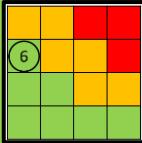
Appendix B – Draft Strategic Risk Register – March 2025

Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p>1. Successful/serious cyber security attack on the Council</p> <p>Corporate Priority</p> <p>Effective Council</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> • Lack of effective cyber security policy and procedures (out of date, not communicated, not understood) • Lack of relevant and timely training relating to cyber security • Lack of clarity in roles and responsibilities relating to cyber security • Cyber security culture not bought into • Insecure digital systems and records (Council and third-party providers) <p>Possible effects:</p> <ul style="list-style-type: none"> • Inability to access systems – unable to deliver services • Data compromised – potential harm to individual/ICO fine • Investigation and rectification costs • Council reputation damage 	<ul style="list-style-type: none"> – Up to date and effective IT and Cyber Security Policy in place which is reviewed annually and is communicated to staff who are required to read and accept the policy before using organisation systems Effective – Cyclical mandated IT and cyber security training provided to all staff Effective – Elected Member cyber security training Effective – Defined roles and responsibilities in relation to cyber security with an IT security lead Effective – Regular communications, reminders, and updates to staff in connection with cyber risk Effective – Programme for continuous updating/installation of software (including firewall) and new hardware etc Effective – Regular reporting and monitoring of IT security/cyber incidents and remedial plans produced and actioned Effective – Engagement with national organisations to ensure ongoing learning of threats and prevention Effective 	<p>Likelihood 2 x Impact 4 = High 13</p> 	<p><i>The Council has accepted a £15,000 Get Cyber Assessment Framework Ready Grant from the Ministry of Housing, Communities and Local Government to use for cyber security improvement projects</i></p>
<p>2. Serious safeguarding failure by the Council</p> <p>Corporate Priority</p> <p>Effective Council</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> • Lack of effective safeguarding policy and procedures (out of date, not communicated, not understood) • Lack of relevant and timely training relating to safeguarding 	<ul style="list-style-type: none"> – Safeguarding policy and procedure in place which are communicated, accepted, and understood by staff Effective – Cyclical and mandated staff safeguarding training Effective – Safeguarding leads in place Effective 	<p>Likelihood 2 x Impact 3 = High 9</p>	<p>Undertake a review of the safeguarding training content and method of delivery</p>

Appendix B – Draft Strategic Risk Register – March 2025

Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
102	<ul style="list-style-type: none"> • Lack of clarity in safeguarding roles and responsibilities • Safeguarding culture not bought into • Poorly maintained systems and records <p><i>(Reliance on volunteers in some areas increases the likelihood of above)</i></p> <p>Possible effects:</p> <ul style="list-style-type: none"> • Harm to service use • Investigation and rectification costs • Council reputation damage • Regulatory intervention 	<ul style="list-style-type: none"> – DBS checks when required undertaken in connection with staff and contractors <i>Effective</i> – Defined roles and responsibilities in relation to safeguarding included in job descriptions <i>Effective</i> – Physical deterrents including secure sites eg perimeter fencing, CCTV, site security and access to sites by authorised staff <i>Effective</i> – Monthly reporting on safeguarding to Statutory Officers Group <i>Effective</i> – Safeguarding annual report with continuous improvement plan <i>Effective</i> – County Council S11 independent audit to validate safeguarding arrangements with outcomes reported to Governance & Audit Committee <i>Effective</i> 		<p><i>A review has been completed of the safeguarding training content and method of delivery</i></p>
3. Serious health, safety, and well-being failure by the Council <u>Corporate Priority</u> Effective Council	<p>Potential causes:</p> <ul style="list-style-type: none"> • Lack of effective application of health, safety and well-being policies and procedures (out of date, not communicated, not understood) • Lack of relevant and timely training relating to health, safety and well-being • Lack of clarity in health, safety and well-being roles and responsibilities • Health, safety and well-being culture not bought into • Lack of effective health, safety and well-being risk assessment • Poorly maintained systems and records 	<ul style="list-style-type: none"> – Corporate Health & Safety Policy and procedures in place which is accessible via intranet and included as part of induction for all new starters <i>Effective</i> – Health & Safety Manager in post to provide safety advice and coordinate health and safety activities ie policy, procedures, communications, initiatives etc <i>Effective</i> – Roles and responsibilities defined within the Health & Safety Policy <i>Effective</i> – Health & Safety annual report to Governance & Audit Committee <i>Effective</i> – Health & Safety monthly report presented to Statutory Officers Group <i>Effective</i> 	<p>Likelihood 2 x Impact 3 =</p> <p>High 9</p> 	<p>Formalise the follow up of lessons learned actions stemming from incidents/near misses</p> <p><i>Statutory Officers Group receive a monthly report of accident figures with causes/</i></p>

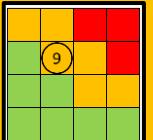
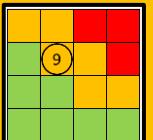
Appendix B – Draft Strategic Risk Register – March 2025

Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
103	<p>Possible effects:</p> <ul style="list-style-type: none"> • Harm to service user/staff member/visitor etc • Investigation and rectification costs (including potential fines) • Council reputation damage 	<ul style="list-style-type: none"> – Monthly meetings with Chief Executive and Health & Safety Manager <i>Effective</i> – Health & Safety Manager communicates important issues to Senior Leadership Team for their consideration and agreement of action necessary <i>Effective</i> – Service and activity risk assessments undertaken across the Council by managers and cyclically reviewed annually (as a minimum) <i>Effective</i> – Monthly housing compliance review and reporting to ensure embeddedness of safety and wellbeing arrangements for tenants <i>Effective</i> – Exercise with Caution List maintained and subject to regular review <i>Effective</i> – Programme of Health & Safety audits with outcomes reported and actions monitored <i>Effective</i> 		<i>failures highlighted</i>
4. Ineffective financial management <u>Corporate Priority</u> Effective Council	<p>Potential causes:</p> <ul style="list-style-type: none"> • Increasing costs (out of controls) eg energy, supplies etc, or unforeseen financial event – major repair cost or fraud loss • Poor financial planning and budgetary control • Weak financial controls – financial procedures are out of date, not communicated, not understood, not followed 	<ul style="list-style-type: none"> – Financial Regulations (and Contract Procedure Rules) in place and regularly reviewed and updated <i>Effective</i> – Medium Term Financial Plan supported by relevant policies <i>Effective</i> – Monthly financial reports including assessment/discussion of financial position produced and presented at CMT <i>Effective</i> – Financial training for all finance staff and budget holders <i>Effective</i> 	<p>Likelihood 1 x Impact 3 =</p> <p>Medium 6</p> 	<p>Review financial regulations to ensure fitness for future</p> <p><i>Financial regulations are being reviewed to ensure fitness for future</i></p>

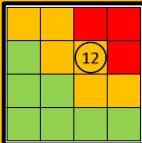
Appendix B – Draft Strategic Risk Register – March 2025

Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
	<ul style="list-style-type: none"> • Lack of clarity in roles and responsibilities relating to financial management • Poorly maintained systems and records <p>Possible effects:</p> <ul style="list-style-type: none"> • Council financial stability threatened • Council plans stifled • Council reputation damage • Qualified Audit Opinion 	<ul style="list-style-type: none"> – Scheme of Delegation in place and transparency in ODD reporting <i>Effective</i> – Service management monthly budget management routines including meetings with finance team as required <i>Effective</i> – Statutory Officer review of committee reports for financial implications including commentary as appropriate <i>Effective</i> – Quarterly report to Finance and Economic OSC and Cabinet <i>Effective</i> – Annual Budget Joint Overview & Scrutiny Committee <i>Effective</i> – Experienced finance team including procurement officer and support from Welland Procurement Partnership <i>Effective</i> – Internal audit plan adopted by Governance & Audit Committee and monitored <i>Effective</i> – Annual Governance Statement production and publication <i>Effective</i> – Annual financial statements produced and signed off by CMT (and subject to external audit – unqualified opinion) <i>Effective</i> 		
5. Unable to maintain and build quality and consistency in service provision by the Council	<p>Potential causes:</p> <ul style="list-style-type: none"> • Inadequate operating environment – outdated materials, technology, buildings etc • Lack of (loss of) knowledge and experience in those involved in service provision • Deficiencies in service delivery and poor performance not being addressed 	<ul style="list-style-type: none"> – Development and improvement plans in place with SMART KPIs <i>Effective</i> – Regular consideration of partnerships and collaborations to improve quality and consistency of service provision, with a Partnership Register in place (see Risk 8 partnership and collaboration risk) <i>Effective</i> 	Likelihood 2 x Impact 3 = High 9	Undertake and complete a succession planning exercise to ensure continuity of services and ongoing

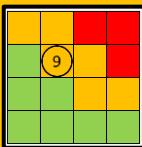
Appendix B – Draft Strategic Risk Register – March 2025

Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
Corporate Priorities Effective Council	<ul style="list-style-type: none"> • Development and improvement plans not fit for future (coupled with lack of effective measurement SMART KPIs, monitoring and reporting) • Lack of innovation with regards to provision of services (lack of innovation culture) <p>Possible effects:</p> <ul style="list-style-type: none"> • Sub-optimal outcomes and experiences for service users • Negative regulatory outcome • Loss of confidence in the Council amongst stakeholders/reputation damage 	<ul style="list-style-type: none"> – Links with other local authorities/forums for knowledge sharing/identification of what others are doing differently and innovatively <i>Effective</i> – Review Corporate Complaints for lessons learned <i>Effective</i> – Annual service planning, aligned with budget and financial planning <i>Effective</i> – Corporate project planning <i>Effective</i> – Business continuity planning <i>Effective</i> – Action plans developed to address identified poor service/service failures <i>Effective</i> – Succession planning <i>Effective</i> 		resilience, including considering outsourcing partnering etc <i>Annual service planning undertaken which aligns to the Corporate Plan priorities. People Strategy being reviewed including succession planning and development of staff</i>
6. Unable to maintain and build sufficient staffing capacity and capability Corporate Priority Effective Council	<p>Potential causes:</p> <ul style="list-style-type: none"> • Recruitment – the Council doesn't know what skills and experiences are required • Recruitment – competition in the marketplace for candidates to fill vacancies • Recruitment – the Council is not seen as sufficiently attractive as an employer (image and profile, rewards and benefits, culture, and values etc) • Recruitment – lack of quality candidates to recruit 	<ul style="list-style-type: none"> – HR/People/Recruitment Strategy in place and monitored by Employment Committee <i>Effective</i> – All vacant and new posts subject to a business case and challenged to review if the post is still required at the requested grade prior to progression <i>Effective</i> – Alternative service provision options considered/explored as appropriate eg buying in services/sharing posts etc <i>Effective</i> – Job evaluation scheme with regular review of market conditions <i>Effective</i> – Regular JCNC meetings <i>Effective</i> 	Likelihood 2 x Impact 3 = High 9 	See Risk 5

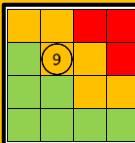
Appendix B – Draft Strategic Risk Register – March 2025

Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
106	<ul style="list-style-type: none"> Retention – lack of personal/career development, progression, and succession opportunities Retention – the Council culture and behaviours are not bought into (for various reason) Retention – more attractive employment elsewhere Retention – poor performance goes unchecked – not identified and not addressed <p>Possible effects:</p> <ul style="list-style-type: none"> Inconsistencies or deterioration in quality of service/provision Deterioration in service user/stakeholder experience and outcomes Inefficiency/increased costs experienced 	<ul style="list-style-type: none"> Employee Assistance Programme in place Effective Internal development through training and apprenticeships Effective Corporate training plan in place with focus on middle managers for upskilling and training Effective Talent Management Strategy Effective Succession Planning Effective Employment Committee receive quarterly HR dashboard data Effective Annual appraisal and staff development plans in place for all staff completion and outcomes subject to monitoring and review Effective Annual staff survey with outcomes reported to the Employment Committee Effective Equality & Diversity/gender pay gap assessment Effective 		
7. Failure to explore digital transformation of Council Services <u>Corporate Priority</u> Effective Council	<p>Potential causes:</p> <ul style="list-style-type: none"> No clear/consistent technology development and transformation strategy at the Council No visibility of technology activities, application, and use (no embedded technology change culture) No (or unreliable) mechanism to measure value generated at the Council through use of technology 	<ul style="list-style-type: none"> Business Development Plan for key projects Partially effective Option appraisal Partially effective Post implementation reviews undertaken to identify benefits realised Partially effective Customer access strategy including up to date website with online communications channel Partially effective 	<p>Likelihood 3 x Impact 3 =</p> <p>High 12</p> 	<p>Develop a Council digital transformation strategy</p> <p><i>IT Strategy being reviewed in accordance with the service plan with completion by Sept 2025</i></p>

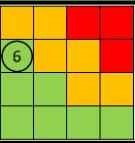
Appendix B – Draft Strategic Risk Register – March 2025

Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
	<ul style="list-style-type: none"> Lack of capacity and capability in connection technology and digital provision Lack of budget available to invest in future technologies <p>Possible effects:</p> <ul style="list-style-type: none"> Sub-optimal service provision by the Council Reduced service users experience Inefficiency experienced – technology not used/not used to its full potential 			
<p>107</p> <p>8. Not maintaining and developing fruitful partnerships and collaborations</p> <p><u>Corporate Priority</u></p> <p>Effective Council</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> No clear or up to-date strategy or mandate re exploring, identification and engagement with other agencies to collaborate and partner with Lack of reliable measures and assessment of outcomes (return on investment) from partnerships and collaborations Lack of Council resources, capacity, and capability to create and sustain effective collaborations and partnerships with businesses and other agencies <p>Possible effects:</p> <ul style="list-style-type: none"> Resource waste – poor VFM Sub-optimal outcomes for the Council Reduced profile of the Council amongst key stakeholders 	<ul style="list-style-type: none"> Partnership Register maintained Effective Member appointment to Board of partnership where appropriate Effective SMART Key Performance Indicators (KPIs) in place in relation to collaborations and partnerships with regular monitoring and reporting, with action plans being taken to address issues Partially effective Budgeting accommodates partnerships/ collaborations Effective Existing partnerships and collaborations identified and are subject to review to ensure that they are effective including governance structure Partially effective Partnership and collaboration agreements in place and are subject to regular review Partially effective 	<p>Likelihood 2 x Impact 3 =</p> <p>High 9</p> 	<p>Develop a Council collaboration/partnership strategy</p> <p><i>Consideration of a strategy to be placed on hold pending Local Government Reorganisation</i></p> <p>Undertake a review of existing partnerships for the purpose of establishing their effectiveness and</p>

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Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
				<p>contribution to Council objectives</p> <p><i>Partnerships register remains under review</i></p> <p>Develop collaboration/partnership KPIs</p> <p><i>These will be developed</i></p>
<p>108</p> <p>9. #TeamSK values/ culture are not lived</p> <p><u>Corporate Priority</u></p> <p>Effective Council</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> • Behavioural expectations are not clearly set out (not communicated or recognised) • Lack of measurement with regards to Council culture • Lack of organisation development capacity and capability re culture • Poor performance and behaviours are not tackled/good performance not recognised and celebrated <p>Possible effects:</p> <ul style="list-style-type: none"> • Reduced quality of provision – poor service user experience and lack of innovation • Weakened governance – the Council make poor decisions • Staff dissatisfaction 	<ul style="list-style-type: none"> – Behavioural expectations clearly set out Effective – Staff and Member Codes of Conduct in place Effective – Staff annual engagement survey Effective – Staff job descriptions and appraisals include values and behaviours Effective – Organisational Development plan Effective – Equality, Diversity, and Inclusion Strategy Effective – Review of the SK Values Effective – Effective People Panel Effective – Back to the floor services by senior officers Effective – Annual staff recognition awards Effective – Monthly ‘All Hands Call’ Effective 	<p>Likelihood 2 x Impact 3 =</p> <p>High 9</p> 	<p><i>Continuance of existing controls to ensure risk is being managed</i></p>

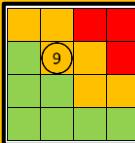
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Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
	<ul style="list-style-type: none"> Sub-optimal delivery and achievement of the Council plans Reputation damage 			
<p>10</p> <p>10. Unable to meet requirements of new regulations and legislation affecting the Council</p> <p>Corporate Priority</p> <p>Effective Council</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> Lack of awareness or visibility of emerging/new regulations and legislation Ineffective (untimely) interpretation to enable understanding of requirements and implications Lack of communications/learning and development to meet new requirements across the Council Ineffective response plans – what, how, who and when Ineffective response – lack of resources, knowledge and experience, funding etc <p>Possible effects:</p> <ul style="list-style-type: none"> Ultra vires activities – the Council could be subject to legal challenge Deterioration in quality of services Council reputation damage 	<ul style="list-style-type: none"> Departments undertake regular horizon scanning for new legislation <i>Effective</i> Monitoring Officer in place <i>Effective</i> Regular reporting on breaches of legislation/regulations produced by Monitoring Officer <i>Effective</i> Attendance at professional events <i>Effective</i> LGA links and APSE wider networks used to raise awareness of legislative and regulatory changes <i>Effective</i> Daily briefing from the MHCLG <i>Effective</i> Review of any government data sets where the Council may be an outlier <i>Effective</i> 	<p>Likelihood 1 x Impact 3 = Medium 6</p> 	<p><i>Continuance of existing controls to ensure risk is being managed</i></p>
<p>11. Not sufficiently responding to climate change</p> <p>Corporate Priorities</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> No clear sustainability strategy and plan for the Council (or lack of commitment to plans in place) No visibility of sustainability activities or mechanism to measure sustainability value provided by the Council 	<ul style="list-style-type: none"> Dedicated climate change reserve within budget for the purpose of funding climate/carbon reduction initiatives <i>Effective</i> Climate change strategy <i>Effective</i> Carbon Reduction Plan in place and monitored by Environment Committee <i>Effective</i> Maximise external funding SHDF etc <i>Effective</i> 	<p>Likelihood 2 x Impact 3 = High 9</p>	<p><i>Continuance of existing controls to ensure risk is being managed</i></p>

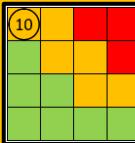
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Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
Effective Council Sustainable South Kesteven	<ul style="list-style-type: none"> Lack of capacity and capability available in connection with sustainability The Council do not prioritise the green agenda/sustainability – it is not core to decision making, communications etc Lack of budget commitment to the green agenda/sustainability <p>Possible effects:</p> <ul style="list-style-type: none"> Sub optimal value from sustainability being realised by the Council Loss of Council profile amongst stakeholders and partners – reputation damage Inefficiency experienced 	<ul style="list-style-type: none"> Local plan policies to support climate change response/mitigation <i>Effective</i> Communication includes climate change updates and information to raise staff awareness, communicate progress of initiatives and advice/best practice <i>Effective</i> Regular reports to Members on progress of response to climate emergency as part of a detailed work programme <i>Effective</i> 		
110 12. Not effectively engaging with our key external stakeholders <u>Corporate Priorities</u> Effective Council Enabling Economic Opportunity	<p>Potential causes:</p> <ul style="list-style-type: none"> The Council has not determined its key stakeholders Insufficient channels, systems, and process through which to collate, assess stakeholder intelligence (coupled with ineffective monitoring, reporting and responding by the Council) Lack of forward planning, prioritisation, and agility to make changes required as a result of stakeholder engagement Ineffective communications, marketing, and publicity – function, systems, process and platforms 	<ul style="list-style-type: none"> Local Economic Forum <i>Effective</i> Engagement of SK Team with key partnerships <i>Effective</i> Community engagement strategy <i>Effective</i> Community consultation framework adopted <i>Effective</i> Community engagement plan in place <i>Effective</i> External communications plans including digital comms (web site and social media) <i>Effective</i> Youth Council <i>Effective</i> CEO/Directors/Cabinet/Members networking <i>Effective</i> Parish councils <i>Effective</i> 	Likelihood 2 x Impact 2 = Medium 5 	Undertake a review of stakeholders to ensure the Council is seeking to continually effectively engage, including ways and means of communication <i>Continuance of existing controls to ensure risk is being managed</i>

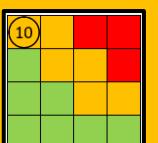
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Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
	<p>Possible effects:</p> <ul style="list-style-type: none"> • Stakeholders interests not best served • Erosion of confidence in the Council • Lack of learning – unable to exploit opportunities arising and poor performance remains invisible 			
<p>13. Governance failure</p> <p>Corporate Priority</p> <p>Effective Council</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> • Lack of clearly defined committee structure and procedures, including terms of reference to support effective decision making and scrutiny • Behavioural expectations of members (eg adherence with the Nolan Principles/Standards in Public Life) are not clearly set out (not communicated or recognised) This is currently heightened due to a large number of new members following recent elections • Lack of governance measurement – ineffective processes, non-adherence and poor behaviours go unidentified/not tackled • Lack of member development programme <p>Possible effects:</p> <ul style="list-style-type: none"> • Ineffective/inefficient decision making • Illegality • Stakeholder dissatisfaction • Local democracy undermined - reputation damage 	<ul style="list-style-type: none"> – Up to date Constitution in place (and subject to regular review) <i>Effective</i> – Clearly defined committee structure in place <i>Effective</i> – Up to date Terms of Reference for all committees <i>Effective</i> – Member and Officer Scheme of delegation in place <i>Effective</i> – Governance training provided at induction and cyclical updates, including standards in public life <i>Effective</i> – Committee effectiveness assessment (annually). Action plans developed to address areas of concern <i>Effective</i> – Committee chairs are sufficiently experienced and trained to fulfil role <i>Effective</i> – Up to date policies and procedures including compliance which are subject to cyclical review and are communicated to staff (and accepted) <i>Effective</i> – Council decisions published <i>Effective</i> – The Annual Governance Statement compilation and review <i>Effective</i> 	<p>Likelihood 2 x Impact 3 =</p> <p>High 9</p> 	<p><i>Continuance of existing controls to ensure risk is being managed</i></p>

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Strategic Risk Description (not listed by priority)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
		Note: Recent internal audit review of Governance (substantial opinion provided)		
<p>14. Significant fraud/ theft successfully committed against the Council</p> <p><u>Corporate Priority</u></p> <p>Effective Council</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> • Lack of effective anti/counter fraud (theft and corruption) policy and procedures (out of date, not communicated, not understood), including whistle-blowing arrangements • Lack of relevant and timely training relating to preventing/detecting fraud (theft and corruption) • Lack of clarity in fraud/theft prevention roles and responsibilities • Anti-fraud culture not bought into • Poorly maintained systems and records <p>Possible effects:</p> <ul style="list-style-type: none"> • Investigation and rectification costs • Council reputation damage 	<ul style="list-style-type: none"> – Counter Fraud Strategy in place <i>Effective</i> – Whistleblowing Policy in place <i>Effective</i> – Anti-Money Laundering Policy in place <i>Effective</i> – Internal audit appointed <i>Effective</i> – Governance & Audit Committee <i>Effective</i> – Monthly Statutory Officers Group meeting <i>Effective</i> – Appropriately trained staff, appropriate culture and awareness, segregation of duties, whistleblowing procedures and closure reports <i>Effective</i> – Financial Regulations/Standing Orders, budget monitoring regime, financial management systems, indemnity insurance <i>Effective</i> – National Fraud Initiative/data matching <i>Effective</i> – External audit opinion explicitly addresses regularity <i>Effective</i> – Fraud risk assessment undertaken <i>Effective</i> 	<p>Likelihood 1 x Impact 4 = High 10</p> 	<p>Develop fraud risk assessment action plan</p> <p><i>Fraud risk assessment action plan is being developed</i></p> <p>Deliver counter fraud, whistleblowing, and anti-money laundering training</p> <p><i>Counter fraud, whistleblowing, and anti-money laundering training is being rolled out</i></p>
<p>15. Unable to effectively respond to national and local political priorities</p>	<p>Potential causes:</p> <ul style="list-style-type: none"> • Political shifts and movement - both at national and local level, including party and individuals creates a lack of clarity 	<ul style="list-style-type: none"> – Weekly meeting between Chief Executive and Council Leader <i>Effective</i> – Regular officer and Member liaison meetings, including Portfolio Holder and officer meetings <i>Effective</i> 	<p>Likelihood 1 x Impact 4 = High 10</p>	<p><i>Continuance of existing controls to ensure risk is being managed</i></p>

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Strategic Risk Description (<i>not listed by priority</i>)	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<u>Corporate Priority</u> Effective Council	<ul style="list-style-type: none"> • Ineffective response plans – what, how, who and when. Difficulty in unwinding existing arrangements and commitments • Lack of available resources <p>Possible effects:</p> <ul style="list-style-type: none"> • Deterioration in quality of services • Dissatisfied stakeholder – Council reputation damage • Legal challenge 	<ul style="list-style-type: none"> – CMT horizon scanning <i>Effective</i> – Executive briefing <i>Effective</i> – Executive/Senior team attendance at/participation in networks and forums – local, regional, and national <i>Effective</i> – Professional/association body membership alerts and journals <i>Effective</i> – Stakeholder engagement and consultation – Reference to corporate plan in all decision-making reports <i>Effective</i> – Regular review of priorities and plans by the Senior Team <i>Effective</i> – Member/Corporate Management Team positive and effective relationship 		

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

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SOUTH
KESTEVEN
DISTRICT
COUNCIL

Governance and Audit Committee

Wednesday, 19 March 2025

Report of Councillor Philip Knowles
Member for Corporate Governance and Licensing

Regulation of Investigatory Powers Act Policy

Report Author

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

 graham.watts@southkesteven.gov.uk

Purpose of Report

To undertake an annual review of the Council's Regulation of Investigatory Powers Act Policy.

Recommendations

The Committee is recommended to:

1. Note the content of the report
2. Agree that no amendments are required to the Council's Regulation of Investigatory Powers Act Policy

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

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 There are no financial implications arising from this report.

Completed by: David Scott, Assistant Director of Finance and Deputy Section 151 Officer

Legal and Governance

- 1.2 Cabinet approved the Council's Regulation of Investigatory Powers Act Policy at its meeting on 6 February 2024 where it recommended that the Governance and Audit Committee undertakes an annual review of the Policy. This report facilitates the annual review of the Council's Policy.
- 1.3 Other significant legal and governance implications are covered in the body of the report.

Completed by: Graham Watts, Monitoring Officer

2. Background to the Report

- 2.1 The Regulation of Investigatory Powers Act 2000 (RIPA) enables Local Authorities to carry out certain types of surveillance activity, as long as prescribed procedures are followed. The information obtained as a result of surveillance operations can be relied upon in court proceedings, providing RIPA is complied with. Such activity can include:
 - Directed Surveillance (covert surveillance conducted as part of a specific investigation likely to result in obtaining private information about an individual or individuals)
 - Use of Covert Human Intelligence Sources (CHIS) (a person who maintains a personal or other relationship with a person for the covert purpose of obtaining or gaining access to information)
- 2.2 The Investigatory Powers 2016 (IPA) is the primary legislation governing the acquisition of communications data. The information obtained as a result of these acquisitions can also be relied upon in court proceedings providing IPA is complied with. Full details of the RIPA requirements and compliance are set out in the Council's RIPA Policy at **Appendix A**.

3. Key Considerations

- 3.1. Authorisation for a RIPA follows a strict procedure governed by the Home Officer, with a Senior Responsible Officer being designated as the Council's signatory in respect of any application to utilise RIPA. The Head of Paid Service (Chief Executive) is named as the Council's Senior Responsible Officer for RIPA.
- 3.2. Training on use of RIPA is provided to senior officers, as well as operational officers in frontline services who may undertake investigatory work as part of their roles, on an annual basis. This ensures awareness of the Council's obligations associated with RIPA.
- 3.3. The Home Office publishes national Codes of Practice on the use of RIPA powers by Local Authorities which help to assess and understand whether, and in what circumstances, it is appropriate to use covert techniques to obtain information as part of investigatory operations. These Codes also provide guidance on what procedures need to be followed in each case. The Council must have regard to the relevant Code of Practice whenever exercising powers covered by RIPA.
- 3.4. It is important that the Council continues to operate in accordance with RIPA to ensure that it can manage its reputational risks, whilst also exercising its legitimate evidence gathering powers in connection with enforcement activity when necessary.
- 3.5. RIPA is a mechanism rarely utilised by the Council and the application process must include significant justification for its use. In the last four years it has been used on one occasion at South Kesteven District Council in relation to a significant flytipping case which resulted in a successful prosecution.
- 3.6. The Council is required to annually review its RIPA Policy to ensure it remains fit for purpose and legally compliant. No legislative changes have been made, and no revised guidance has been published which requires the Council to amend its Policy since its approval at Cabinet on 6 February 2024.

4. Other Options Considered

- 4.1. To suggest any amendments to the Council's RIPA Policy for recommendation to Cabinet.

5. Reasons for the Recommendations

- 5.1. The Council is required to review its RIPA Policy on an annual basis.

6. Appendices

- 6.1. Appendix A – South Kesteven District Council’s Regulation of Investigatory Powers Act Policy

South Kesteven District Council

Regulation of Investigatory Powers Act Policy

1. Introduction

- 1.1 South Kesteven District Council recognises that a need for secret or covert surveillance and the gathering of communications data will arise from time to time during the course of investigations carried out by its Officers in the discharge of the Authority's statutory functions. The Council agrees, however, that it should be used as sparingly as possible and only when all legal safeguards have been met.
- 1.2 All such activities will be carried out in compliance with the Human Rights Act 1998. Where appropriate, the Regulation of Investigatory Powers Act 2000 (RIPA) and the Investigatory Powers Act 2016 (IPA) will be used to ensure this. Statutory Codes of Practice published by the Home Office will be complied with.
- 1.3 Responsibility is placed upon the Council's Head of Paid Service (Chief Executive) to ensure the Authority's overall compliance with the Act and act as the "Senior Responsible Officer". The Council's Monitoring Officer will act as the Authority's "RIPA Coordinating Officer" to assist in this.

2. Purpose of RIPA

- 2.1 The primary purpose of RIPA is to ensure that surveillance and other techniques employed by public bodies are justified when they would otherwise infringe an individual's rights under Article 8 of the European Convention on Human Rights and be unlawful under Section 6 of the Human Rights Act 1998.
- 2.2 The rights in Article 8 to respect a citizen's private and family life and his or her home correspondence are not absolute. In certain circumstances a public authority may interfere with them provided the interference is:
 - In accordance with the law
 - Necessary for a number of prescribed purposes
 - Proportionate in the circumstances.
- 2.3 RIPA and IPA create a statutory framework for the authorisation of such interference. The surveillance and other monitoring covered by RIPA are not necessarily "cloak and dagger" activities but can include many forms of observation and information gathering which have in the past been a routine part of Council Officers' work.
- 2.4 All Local Authority RIPA authorisations for Directed Surveillance and Covert Human Intelligent Sources are subject to judicial approval by a Magistrate before they have effect. Applications for Communications Data under IPA are authorised by the Office for Communications Data Authorisations (OCDA) and therefore judicial approval is not required.

3. Surveillance and Covert Human Intelligence Sources (CHIS)

3.1 The Act defines three particular types of activity:

Directed Surveillance: covert surveillance undertaken in relation to a specific planned investigation or operation which is likely to lead to private information about a person being obtained. Surveillance is covert where it is conducted in a manner calculated to make sure that the subject is not aware that it is happening.

Intrusive Surveillance: covert surveillance which takes place in residential premises or a private vehicle either by the presence of a person within the premises or vehicle or the installation of a device. It cannot be conducted by a Local Authority.

Use of a Covert Human Intelligence Source (CHIS): a CHIS is a person who maintains a personal or other relationship with a person for the covert purpose of obtaining or gaining access to information. It does not mean circumstances where members of the public volunteer information or to contact numbers set up to receive information but it will cover cases where officers or other agencies with which the Council works are asked to obtain information from someone by establishing or maintaining a personal or business relationship with that person.

- 3.2 Authorisations for the use and conduct of a CHIS should define the use, nature and conduct of the CHIS' task, in broad terms. Such authorisations should not be drawn so narrowly that a separate authorisation is required each time the CHIS is tasked however, if there is a significant change in nature of the task, then a new authorisation should be sought.
- 3.3 Only the Head of Paid Service (Chief Executive), or in their absence the person acting as the Head of Paid Service, can authorise the use of a person under 18 or a vulnerable individual as a CHIS. A vulnerable individual is someone who by reason of mental or other disability may be in need of community care services or unable to protect him or herself against harm or exploitation.

Covert and overt

- 3.4 The word "covert" is common to all three of the definitions in the preceding paragraph. It means simply that the surveillance will be carried out in a manner intended to make sure that the person under observation is unaware that it is taking place. Much of the surveillance carried out by the council is of course overt either because there is nothing hidden about it and staff go about their business openly or because the subject has been told (preferably in writing) that surveillance will take place. However, it is important to note that the mere visibility of the officer carrying out the surveillance does not in itself make the surveillance overt.

4. Closed circuit television (CCTV)

4.1 As the CCTV cameras operated by the District Council are both publicly signed and not normally directed at particular individuals, RIPA does not ordinarily apply to their use. However, from time to time, CCTV control will receive requests from enforcement agencies to use the system to monitor persons or premises for a period. The Control Room Supervisor must then obtain evidence that a RIPA authorisation has been obtained. The [Biometrics and Surveillance Camera Commissioner](#) provides information on this area.

5. Social Media Platforms

5.1 Council staff need to be aware that activity on, or intelligence gathering from, social media platforms may raise privacy and RIPA issues. A preliminary examination of an online presence, to see if the site or contents are of interest, or use of the internet prior to an investigation, should not normally engage privacy considerations, but if the study of an individual's online presence becomes persistent or is recorded, a RIPA authorisation should be considered. If reasonable steps are taken to inform the public or individuals that online surveillance may be taking place, the activity can be regarded as overt.

5.2 Where a "minimal" level of interaction is required before access is permitted (e.g "friend") this may not constitute a relationship. However, if further interaction may follow, a CHIS authorisation should be considered.

6. Authorisation of Directed Surveillance and use of a CHIS

6.1 Directed surveillance and CHIS authorisations will only be made by officers listed in Appendix 1 when they are satisfied that:

- the authorisation is necessary for the prevention and detection of crime or preventing disorder and
- in the case of Directed Surveillance only, that the offences in question meet the "crime threshold" (maximum sentence of at least six months imprisonment OR certain specified offences relating to the sale or supply of age restricted products) and
- the proposed activity is proportionate to its objective and
- in the case of a CHIS:
 - That a suitable risk assessment is carried out to determine the risk to the CHIS of the deployment, and any consequences should the role of the CHIS become known.
 - That there are arrangements in place to update the assessment to reflect developments in course of the deployment.
 - That consideration has been given to the management of any requirement to disclose information that could risk revealing the identity of the CHIS.
 - That specific arrangements exist to ensure that the CHIS is independently managed and supervised, that records are kept of the use made of the CHIS, and that any concerns about the validity of risk assessments, conduct of the CHIS and safety and welfare of the CHIS

- are appropriately addressed, in accordance with the current CHIS records regulations.
- Where appropriate, concerns about such matters must be considered by the Authorising Officer and decisions taken on the continuance of the authorisation.

6.2 The standard application forms for Directed Surveillance and use of a CHIS and other processing and review documents are held by the Monitoring Officer.

7. Relevant Considerations

“Necessary” and “Proportionate”

7.1 These are key definitions to the application of RIPA in both Parts 1 and 2. Not only must information be sought for a prescribed purpose (set out in the previous paragraph) but the use of the covert technique to obtain it must meet both these criteria. Applications for authorisation must have regard to this requirement and set out coherently how the information or evidence obtained is intended to assist the investigation.

7.2 The action must be necessary in relation to a prescribed reason (the only reasons prescribed for Local Authorities are the prevention or detection of crime or preventing disorder, and a “crime threshold” test as to seriousness exists for Directed Surveillance) and it must be proportionate in that even if it is necessary to obtain the information the interference with a person’s right of privacy is not excessive in all the circumstances. A judgement on whether a covert technique is appropriate will involve the consideration of other options and if these exist the least intrusive method of procuring information is likely to be the most proportionate.

Collateral Intrusion

7.3 Whenever appropriate and practical a proposed surveillance should include a plan to minimise the possibility of intrusion being caused to people who are not the primary subject of the surveillance and to deal with any irrelevant material thereby obtained.

Health and safety

7.4 Authorising Officers must pay special attention to any health and safety issues which may be raised by any proposed surveillance or CHIS authorisation. Unless these have been carefully considered and risks kept to an acceptable level the proposal should not be authorised.

8. Authorisation Procedures

(For detailed requirements see the Home Office Codes of Practice)

Applications

8.1 These must be in writing. The standard application forms and processing documents are held by the Monitoring Officer and will follow the format of those published by the Home Office.

Authorisation

8.2 An authorisation will be endorsed or rejected using the appropriate form. Authorisations can last for up to 3 months in the case of surveillance and 12 months in the case of CHIS. After this period a new application may be made. Authorisations are not open ended and Authorising Officers will indicate a date for review in all authorisations. Where the relevant considerations for authorisation are no longer met, the authorisation will be cancelled.

Records

8.3 The Monitoring Officer maintains a central retrievable register of all authorisations granted, renewed or cancelled. Although under the relevant Codes of Practice, records are only required to be retained for at least three years (five years from authorisation end for CHIS), it is desirable to retain them for five years. After this time they will be subject to data retention, review and deletion under the Data Protection Act 2018. To ensure this register is kept up to date a copy of the relevant paperwork must be provided to the record keeper within **one week** of application/authorisation/renewal/cancellation etc. The record keeper is the Council's Head of Public Protection.

Audit

8.4 The District Council is accountable to the Investigatory Powers Commissioner both for the sound administration of its systems and for record keeping.

9. Communications

9.1 Under the IPA Local Authorities are entitled to obtain certain information from Communications Service Providers. Relevant definitions of available material are:

Communications Data – information from telecommunications companies, internet service providers and mail services. It includes “Entity” data and “Events” data but not the content of communications.

Entity Data – this is data about entities or the links between them but does not include information about individual events. Entities can be individuals, groups or objects. Examples are:

- Subscriber information.
- Top-up history of a mobile phone.
- Social media logon information.
- Website registrant details.
- Royal Mail redirection and payment information.

Entity Data is available for the purposes of preventing and detecting crime.

Events Data – this is data which identifies or describes events which consists of one or more entities engaging in an activity at a specific time or times. It will include information which identifies, or appears to identify any person, apparatus, or location to or from which a communication is transmitted.

Examples of Events Data:

- Incoming and outgoing call data (numbers called and received), including the date, time and duration.
- Cell site start and end location for mobile phone calls (shows the area a phone call was made/received from the closest mobile phone mast).
- IP address information (date and time of connection).

Events Data is available for the purposes of preventing and detecting **“Serious Crime”**. This means the offences it relates to must be:

- capable of attracting a prison sentence of 12 months or more or
- committed by a person who is not an individual (e.g. a corporate body)
- an offence involving violence
- involve the sending of a communication or breach of a person’s privacy.

- 9.2 Successful applications must satisfy tests for necessity and proportionality, as with Part 2 Surveillance and CHIS applications. The purpose of any IPA application for Communications Data must relate to a matter that is the statutory or administrative function of the Local Authority.
- 9.3 Only people who have successfully completed Home Office accreditation may deal with Communications Service Providers on these issues and will act as a Single Point of Contact (SPOC). The only permitted SPOC for Local Authorities is the National Anti-Fraud Network (NAFN) housed by Tameside Council. The SPOC will act as a gatekeeper in relation to necessity and proportionality and make initial enquiries as to feasibility and will then submit any applications considered to meet the tests to the Office for Communications Authorisations (OCDA) for consideration for approval.
- 9.4 This means that internal authorisation and judicial approval are not required. However, the Senior Responsible Officer or a Designated Senior Officer will be made aware of any application.

10. Records

- 10.1 The Monitoring Officer maintains a central, retrievable register of all Notices or Authorisations granted within the preceding three years. This is maintained by the Legal Services Team.

11. Oversight by Members

- 11.1 Elected members will review the Authority’s use of RIPA and the RIPA Policy at least once a year.

A format for summary of use is at Appendix 2.

Appendices

Appendix 1: Authorising Officers/Designated Senior Officers

- Head of Paid Service/Chief Executive (Senior Responsible Officer) – Karen Bradford
- Deputy Chief Executive (Authorising Officer/Designated Senior Officer) – Richard Wyles
- Monitoring Officer (Authorising Officer/Designated Senior Officer) – Graham Watts
- Head of Public Protection (Authorising Officer/Designated Senior Officer) – Ayeisha Kirkham

Appendix 2: Format for Summary of RIPA Use

Services making use of RIPA: Housing, Planning, Public Protection and Revenues and Benefits.

Statement of General Purposes: South Kesteven District Council uses powers made available to it under RIPA in order to investigate and prevent crimes in areas such as flytipping, unlicensed activities, rogue landlords or breach of environmental health legislation. These powers are used only when necessary. They have successfully assisted in bringing flytippers and other criminals to court resulting in successful prosecutions.

RIPA is aimed at safeguarding Human Rights and provides a framework to ensure that the authority's actions are necessary and proportionate. It allows our decisions to be externally audited and it is only to prevent and detect crime that a local authority is allowed to conduct non-intrusive surveillance.

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SOUTH
KESTEVEN
DISTRICT
COUNCIL

Governance and Audit Committee

Wednesday, 19 March 2025

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

LeisureSK Limited – Board of Directors

Report Author

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

 graham.watts@southkesteven.gov.uk

Purpose of Report

To note the resignation of the Chairman of the LeisureSK Limited Board from 31 March 2025 and consider the appointment of a new Director of LeisureSK Limited.

Recommendations

The Committee is recommended to:

1. Note the contents of the report.
2. Approve the appointment of Mr David Scott to the Board of LeisureSK Limited, in place of Mr Paul Sutton.

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)

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 There are no financial implications arising from this report.

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

Legal and Governance

- 1.2 The proposed appointment provides the Board with sufficient resilience to meet its requirements for quoracy in accordance with the provisions of the Companies Act 2006 and the company's Articles of Association, which specify at least one Director must be appointed to the Board. The appointment of wider representation onto the Board represents good governance principles. Should the appointment be approved, the Board for LeisureSK Limited would consist of three Directors and one Non-Executive Director.

Completed by: Graham Watts, Monitoring Officer

2. Background to the Report

- 2.1 LeisureSK Limited was established as a company to manage the Council's leisure facilities. It is wholly owned by the Council.
- 2.2 The membership of the Board currently consists of Miss Deborah Roberts (the Council's Head of Corporate Projects, Performance and Climate Change (Councillor Patsy Ellis (District Councillor), Councillor Philip Knowles (Cabinet Member for Corporate Governance and Licensing), Mr Paul Sutton (the Council's Interim Deputy Section 151 Officer) and Mr David Monkhouse (Non-Executive Director).

3. Key Considerations

- 3.1 Mr Paul Sutton was appointed onto the Board until the expiration of his current interim contract with the Council.
- 3.2 The Council has appointed Mr David Scott as its new Assistant Director of Finance and Deputy Section 151 Officer.

3.3. Whilst Mr Sutton's interim contract has not yet expired, it is considered timely to replace him on the Board with the Council's new Assistant Director of Finance and Deputy Section 151 Officer. Mr Scott has indicated, if appointed, that he is willing to sit on the Board of LeisureSK Limited and has provided the following personal statement the Committee's consideration:

I have worked in Local Government for the past 20 years gaining extensive experience across several key functions within the local government finance sector. As a qualified CIPFA Accountant (now Fellowship Institute Member) and operating as the Deputy Section 151 Officer in my role for the last 10 years, has enabled me to be an integral part the councils Leadership Team providing strategic finance support.

Most of my time in local government has seen me lead and manage a number of services alongside the core finance function including Procurement, Governance, Risk, Revenues, Corporate Property, Legal Services and Elections.

During my career I have responsible for overseeing the production of the annual budget, in year budget monitoring and completing the annual preparation for closure of accounts and audit liaison. Alongside this I have been the lead for risk including development of the Risk Management Strategy.

As a member of the Council's Senior Leadership Team, I have had significant experience of working with elected members, including the writing and presentation of various finance-related reports to Cabinet, Council, Governance and Audit and Standards Committee, and Scrutiny functions as well as providing regular briefings to the Finance Portfolio Holder and other Cabinet Members.

I also play a key role in providing financial support in a number of different ways covering corporate priority projects, high value / complex contracts, management development schemes and supporting the returning officer when elections take place.

3.4. Miss Deborah Roberts (the Council's Head of Corporate Projects, Performance and Climate Change), provided notice of her resignation as Chairman and Director of the LeisureSK Limited Board with effect from 31 March 2025. This is the date of the next scheduled Board meeting where the accounts will be signed off and the new 10-year contract as part of the new agency model will commence. Miss Roberts has therefore taken the decision to hand over the chairmanship to somebody new as the company transitions to the new agency model and enters into its new contractual arrangement.

3.5 The Council is in the process of considering another officer to propose for appointment onto the Board in place of Miss Roberts.

- 3.6 The LeisureSK Limited Board will be required to appoint a new Chairman from its Board of Directors.

4. Other Options Considered

- 4.1 To not make any changes to the membership of the Board of LeisureSK Limited at this time.
- 4.2 To consider any further appointments onto the Board of LeisureSK Limited.

5. Reasons for the Recommendations

- 5.1. To ensure that LeisureSK Limited is properly constituted and has adequate membership on its Board.

Governance and Audit Committee Work Plan 2024-2025

Committee Membership:

Chairman: Councillor Tim Harrison

Vice-Chairman: Councillor Helen Crawford

Order	Item	Current Issues/Status	Outcome Sought
	18 June 2025		
	Housing Benefit Subsidy Claim 2023/24	To provide details regarding the outcome of the Housing Benefit (Subsidy) Assurance Process for 2023/24.	
	Access to Information Working Group Update	To update on the meeting of the Access to Information Working Group	
133	Items to be allocated as and when required		
	Internal Audit		
	External Audit		
	Treasury Management		
	Financial Regulations		
	Constitutional Amendments		
	Code of Corporate Governance		
	Code of Conduct		
	Contract Procedure Rules		

Item	Current Issues/Status	Outcome Sought
Risk Management Framework		
Committee Members Meeting with Auditors		
Counter Fraud Framework		
Review of Subject Access Requests		