

# Governance and Audit Committee



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

Wednesday, 18 June 2025 at 10.00 am  
Council Chamber - Council Offices, St. Peter's Hill,  
Grantham. NG31 6PZ

**Committee** Councillor Tim Harrison (Chairman)  
**Members:** Councillor Paul Wood (Vice-Chairman)

Councillor Robert Leadenhams, Councillor Bridget Ley, Councillor Rhea Raysia, Councillor Rob Shorrock, Councillor Paul Stokes, Councillor Mark Whittington and Councillor Sue Woolley

## Agenda

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

- 1. Apologies for absence**
- 2. Disclosure of interests**  
Members are asked to disclose any interests in matters for consideration at the meeting.
- 3. Minutes of the meeting held on 19 March 2025** (Pages 3 - 14)
- 4. Updates from previous meeting** (Pages 15 - 16)  
To consider updates on Actions agreed at the meeting held on 19 March 2025.
- 5. External Audit Plan** (Pages 17 - 59)
- 6. Internal Audit Progress Report** (Pages 61 - 82)
- 7. Internal Audit Annual Report 2024-25** (Pages 83 - 101)

8. **Corporate Plan 2024-27: Key Performance Indicators Report - (Pages 103 - 109)  
End-Year (Q4) 2024/25**  
To present the Council's performance against the Corporate Plan 2024-27 Key Performance Indicators (KPIs) for quarter 4 2024/25.
9. **Progress Update on Fair Tax Declaration** (Pages 111 - 116)  
To update the committee on the progress the Council has made in meeting those objectives set out in the Fair Tax Declaration it made.
10. **Appointment of a Non-Executive Director for LeisureSK Ltd** (Pages 117 - 126)  
To consider the appointment of a Non-Executive Director for LeisureSK Ltd
11. **Work Programme 2025 - 2026** (Pages 127 - 131)  
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.**
13. **Exclusion of the Press and Public**  
It is likely that the press and public will be excluded during discussion of the following agenda item because of the likelihood that information that is exempt under paragraphs 1 and 2 of Schedule 12A of the Local government Act 1972 (as amended) would be disclosed to them.
14. **Additional Security for Councillor IT devices** (Pages 133 - 137)  
Amendments to the security policy for Councillor IT devices to ensure we are compliant with latest guidance.

## Minutes

### Governance and Audit Committee

Wednesday, 19 March 2025, 10.00 am



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

Council Chamber – South  
Kesteven House, St Peter's Hill,  
Grantham, NG31 6PZ

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#### Committee Members present

Councillor Tim Harrison (Chairman)  
Councillor Rob Shorrock  
Councillor Peter Stephens  
Councillor Paul Stokes  
Councillor Mark Whittington  
Councillor Sue Woolley  
Alan Bowling – Independent Person

#### Cabinet Members present

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

#### Officers

Richard Wyles (Deputy Chief Executive and S151 Officer)  
Graham Watts (Assistant Director - Governance and Public Protection and Monitoring Officer)  
Andrew Beaver (Community Safety Manager)  
Phil Swinton (Emergency Planning and Health & Safety Lead)  
Tracey Elliot (Governance and Risk Officer)  
Amy Pryde (Democratic Services Officer)

Matt Humphrey, RSM Partner  
Paul Akanbi, Internal Auditor  
Gurpreet Dulay, Internal Auditor

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#### 73. Apologies for absence

Apologies for absence were received from Councillors Helen Crawford and Bridget Ley.

#### 74. Disclosure of interests

No interests were disclosed.

## **75. Minutes of the meeting held on 13 February 2025**

One Member queried whether the Chairman of the Committee had completed further training, as recommended by a Standards Committee hearing.

The Chairman had made a statement at the previous meeting of Governance and Audit held on 13 February 2025. The previous statement clarified the Chairman had 6 months to undertake the relevant training from the point the decision was made by the Hearing Review Panel.

The minutes of the meeting held on 13 February 2025 were proposed, seconded and **AGREED** as an accurate record.

## **76. Internal Audit Follow Up Report**

The Internal Audit Follow Up Report was presented by the Cabinet Member for Corporate Governance and Licensing.

The internal auditors, BDO had prepared their follow up report for Council to consider.

BDO had followed up the outstanding two recommendations from 2023/24 for Responsive Repairs – one has been completed, and the other was ‘in progress’ and acknowledged as good progress being made. The action ‘in progress’ related to the implementation of a programme where 10% of jobs would be formally quality assessed.

BDO had followed up 13 medium recommendations from 2024/25 audits, and five recommendations which were not yet due.

During discussions, Members commented on the following:

- A timescale on when the ‘in progress’ recommendations would be brought back to the Committee.

The Internal Auditor confirmed each action agreed would go to next meeting of Governance and Audit Committee following the due date within the report.

- Clarification was sought around the difference between actions that were completed and actions that were completed and operational.

The Internal Auditor confirmed that follow ups would be to ensure the Council had actioned the recommendations from Internal Audit in terms of a testing schedule. All actions that were completed and operational would be under review in the event that they were not being fully met.

- It was suggested that actions that were ongoing or required further operation input be addressed within the report.

During the Business Continuity Plan (BCP) audit, a training programme had been implemented over two years. The programme had been completed; however, it was ongoing and a rolling action.

- Concern was raised on the BCP's management response on the audit relating to business continuity and disaster recovery. The completion of BCP's had been delayed due to the recent floods within the area.
- One Member requested the date on the meeting where Officer's would deliberate on the BCP for their service area.

The Emergency Planning and Health and Safety Lead confirmed that BCP awareness sessions had taken place on 18 February and 18 March 2025. For Officer's that attended the 18 February session, a timeframe had been given for their draft BCP be returned, reviewed and a final version to be submitted by 18 April 2025. Officer's that attended the 18 March session had until 18 April to submit their first drafted BCP for review.

The reason for the delay was due to Officer's being redeployed to a response team for the floods within the area. A Business Impact Analysis (risk assessment) was in place for the Council, which were in the background for business continuity. The BCP's were introduced as an additional layer of resilience for business continuity.

The Internal Auditors confirmed that follow-ups were a judgement as to whether enough assurance had been given to complete an action. Assurance was provided that the Auditors were seeing a higher portfolio for this Council on completion rates, which was above average for other Local Authorities.

- Concern was raised on the audit around response of repairs and that only one employee would undertake quality checks.

The Deputy Chief Executive noted that reference had been made on the audit comment that post check process had commenced on QL system KPI's were being progressed and monitored monthly, completion had however suffered some delays, now planned to be completed by end of March 2025. The comment did not reference any resource issues of staff.

It was requested that wording of management responses be more specific and detailed in order for the Committee to gain a better understanding.

The Committee noted the findings of the Internal Audit Follow Up Report.

## **77. Draft Internal Audit Plan 2025/26**

The Draft Internal Audit Plan 2025/26 was presented by the Cabinet Member for Corporate Governance and Licensing.

In order to demonstrate good governance, the Council must maintain an adequate, effective internal audit plan, provided by the Internal Auditors. They had produced an indicative plan presented on 22 January 2025 and the Committee were provided with the final plan at this meeting.

The Internal Auditors outlined important financial areas within the 2025/26 plan which should provide assurance to the Committee:

- Treasury management
- Financial systems
- Payroll

From 1 April 2025, the operational standards that Internal Auditors complied with would change to Global Internal Audit Standards in UK Public Sectors, however, this would not change any information provided by BDO.

- It was queried how much flexibility was within the plan in the event of an emergency issue that required attention as a priority.
- One Member queried the level of cooperation and expected link between the Internal and External Auditors on particular projects.
- Further reassurance was sought on the change of standards. External Auditors had previously had a change of standards which led to some delays and a higher workload.

The Internal Auditors confirmed that 27 days had been allocated within the 220 days plan for contingency purposes which allowed 12% of the total days to be flexible for any issues that may occur during the financial year. It was clarified that an explanation of any changes to the plan would be brought back to the Committee to amend the plan.

Internal and External Auditors would have annual meetings, discussions throughout the year and would work in conjunction with one another on topics of significant importance and information sharing.

- It was queried whether financial systems had been previously monitored.

The Internal Auditor clarified that the monitoring of financial systems was not mandated through the standards. The change of the financial system for 2025/26 meant that an increased focus on financial systems would take place for the plan.

The Internal Auditors focused on the internal controls of an organisation and External Auditors would focus on assessing the accounts and provide a true and fair opinion on whether accounts were true and valid.

The Deputy Chief Executive clarified that since April 2024, External Auditors for the Council were KPMG.

- It was suggested whether the plan be amended to show the last time an area was audited.

The Internal Auditor confirmed there were satisfied with including the time in which an area was last audited within the future plans, in consultation with management.

- One Member queried governance failure as a strategic risk and what depth of information that would include.

Risk 13 of the Council's Strategic Risk Register provided an overview of the Council's own definition of governance failure. The risk set out potential causes, controls and enablers that the Council had in place. The Internal Auditors would take the risks from the risk register to include within their plan, audits would be set out into the subsequent years that may coincide with the relevant risk.

It was proposed, seconded and **AGREED**:

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

## **78. Regulation of Investigatory Powers Act Policy**

The Cabinet Member for Corporate Governance and Licensing presented the report.

Cabinet had approved the Council's Regulation of Investigatory Powers Act Policy at its meeting on 6 February 2024 where it delegated the undertaking of an annual review of the Policy to the Governance and Audit Committee. This report facilitated the annual review of the Council's Policy.

- Clarification was sought around the difference between covert and overt surveillance. It was queried whether the police must request that the CCTV operatives actively monitor an individual and that they must have a RIPA in place to be able to do so.

The Assistant Director (Governance and Public Protection) and Monitoring Officer confirmed that the police operated separately to the Council's CCTV operators. CCTV and the Police worked in partnership with one another and CCTV for the District was now based at the Police Station in Grantham.

It was noted that RIPA's could only be granted by a court and involved a complex application process. The Council or the Police could apply for a RIPA if it was required. It was confirmed the following areas of activity would require a RIPA:

- **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.
- It was queried whether the Police contacting CCTV operators requesting them to monitor an individual would require the granting of a RIPA. It was confirmed that a RIPA would not be required if activity had been captured within those areas under the supervision of the Council's public CCTV as this would not be classed as covert surveillance. This was due to notices being placed in the public domain outlining that CCTV was in operation, together with the location of all cameras being placed on the Council's website. A RIPA would be required by the Police, or the Council, in circumstances, for example, where cameras were being set up without notice to capture information about an individual as part of a planned investigation or operation.

The Committee was referred to the revised code of practice for the covert surveillance and property interference document.

Directed surveillance was classified if the following were all true:

- It is covert but not intrusive surveillance.
- It is conducted for the purposes of a specific investigation or operation.
- It is likely to result in the obtaining of private information about a person, whether or not one specifically identified for the purposes of the investigation or operation.
- It is conducted otherwise than by an immediate response to events or circumstances, the nature of which is such that it would not be reasonably practical for an authorisation under Part 2 of the 2000 Act to be sought.
- One Member queried that if the Police were to request CCTV operators to watch an individual under covert surveillance without a RIPA in place, the onus would be on the CCTV operators for providing the information without a RIPA. In some instances, the Police would apply for the RIPA.

**ACTION: For the Assistant Director (Governance and Public Protection) and Monitoring Officer to confirm whether the onus would be on the Council if the Police were to request CCTV operators to monitor an individual under covert surveillance without a RIPA in place.**

Training on RIPA took place on an annual basis for Officers who undertook operational roles meaning they were fully aware of the implications associated with the requirements of RIPA.

- One Member queried if the Police requested CCTV operators to review an individual who had been suspected of criminal activity in the past using previous footage, and whether a RIPA would be required in such circumstances. It was noted that some of this information may have already been recorded historically and could assist in patterns of behaviour in particular individuals, given that the recording had been recorded overtly through the CCTV system, a RIPA would not be required.

The Assistant Director (Governance and Public Protection) and Monitoring Officer also confirmed that a RIPA could not be retrospective. An application for a RIPA would need to specify key information such as the evidence anticipated to be gathered as part of the investigation or operation, timescales and review periods associated with the activity.

- A query was raised on legalities around new cameras being put up by businesses around Grantham Town without notice.

It was clarified that RIPA does not apply to local businesses and they would not need to follow the same requirements as the Council in this regard.

It was AGREED 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

## **79. Appointment of LSK Ltd Directors**

*(The Cabinet Member for Corporate Governance and Licensing declared an interest as a Director of LeisureSK Ltd, he left the Chamber for this item).*

The Assistant Director (Governance and Public Protection) and Monitoring Officer stated there was not a need for the Committee to go into private session, unless they wished to discuss individual people.

The report sought to appoint Mr David Scott onto the Board of LeisureSK Ltd in place of Mr Paul Sutton, who had previously been appointed on an interim contract.

It was noted that Deborah Roberts had resigned as Chairman and a Member of the Board with effect from 31 March 2025.

The Council had not made a nomination for replacement following the resignation of Deborah Roberts.

It was suggested whether the Committee felt it was appropriate to delegate the appointment to the Head of Paid Service in consultation with the Chairman of Governance and Audit.

- One Member felt it was necessary for Mr David Scott to complete his Director training ahead of his appointment.

The Deputy Chief Executive confirmed that Mr David Scott would be supported through training to ensure he was aware of his roles and responsibilities.

- Concern was raised on the restrictions on putting certain employees of the Council on the board of a Council owned company.
- One Member noted that since its inception in 2020, the company had 15 Officers and 10 resignations. It was felt that staff turnaround for LeisureSK Ltd should be looked into as a risk.

The Deputy Chief Executive clarified the restriction element of Officers was in respect of statutory officers that were not permissible on working for the Council and the company as this could lead to internal conflict.

The relationship between the Council and LeisureSK Ltd would change as of 1 April 2025, as LeisureSK Ltd become a collecting body on behalf of the Council working under an agency model.

- Members discussed the lack of skill sets experienced historically with previous Directors of LeisureSK Ltd.
- Further information was requested on the extent of impact the move towards the agency model would have on the company.

The Deputy Chief Executive highlighted the business case for the change of model was heard and approved at a meeting of Cabinet on 10 September 2024.

- One Member assessed whether an agency needed to be in place or whether the company could be run in house.

The Deputy Chief Executive confirmed the move to the agency model was a taxation strategy and was the best position for the Council and taxpayers.

- Further concern was raised on the selection of individuals for the appointment in replacement of Deborah Roberts. It was felt that individuals may not have the skill set to become a director of a company, prior to any training.

It was suggested that the delegation for the appointment included the Leader of the Council and relevant Cabinet Member in order to consider and understand the skill set of the individual nominated for the appointment.

It was proposed, seconded and **AGREED**:

1. **Approve the appointment of Mr David Scott to the Board of LeisureSK Limited, in place of Mr Paul Sutton.**
2. **To delegate the appointment of a new Director for LeisureSK Ltd to the Head of Paid Service in consultation with the Leader of the Council and the Cabinet Member for Culture and Leisure.**

**80. 2024/25 Accounting Policies and Publication Date of the Statement of Accounts**

The Leader of the Council presented the report.

The Council was 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). It is good practice to consider and adopt the accounting policies in advance of the production and approval of draft accounts.

There had been one minor change to the treatment leases, however, this was not considered to be a significant change to the production of the accounts.

The report also included details of the publication dates for the draft and final audited 2024-25, with a draft publication date of 30 June 2025 and an audited date of 27 February 2026.

- One Member felt the audited date could be subject to move as this would depend on views of the external auditors.

It was proposed, seconded and **AGREED** 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.

**81. Treasury Management Report Q3 2024/25**

The Leader of the Council presented this report which provided details of the treasury management activities in the period up to December 2024. 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.

The prudential indicators had been approved by Full Council for the current financial year on 29 February 2024.

No additional borrowing was required during the third quarter of 2024/25. Appendix A included 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.

A schedule of investments on 31 December 2024 was set out in Appendix A and were split between short term and long-term investments. Overall, investment income was exceeding budget due to higher rates than anticipated. Investment income was split between the General Fund and the HRA in accordance with the level of balances. These are a welcome boost to the council finances and will support delivery of wider corporate objectives.

The Committee to:

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

## **82. Strategic Risk Register including Emerging Risk Radar**

The Cabinet Member for Corporate Governance and Licensing presented the report which outlined the Strategic Risk Register alongside the Emerging Risk Radar.

The Cabinet Member for Corporate Governance and Licensing thanked the Governance and Risk Officer (Tracey Elliot) for a comprehensive and informative report, alongside the RSM Partner, Mr Humphrey for his helpful assistance.

The Strategic Risk Register was last reviewed by the Committee at its meeting on 29 September 2024. 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

A partner from RSM highlighted the two elements to the report: one being a retrospective look at existing actions in the Strategic Risk Register and looking at progress being made against those. The two elements were of high importance to prevent harm coming to the Council.

The forward look element which identified the emerging risk profile of the Council. This element was created using an RSM-based emerging risk profile that had been produced with a whole range of organisations, which would be utilised as a comparison mechanism with the Strategic Risk Register to identify where changes were required.

The RSM Partner drew the Committee's attention to the next series of activity where the Strategic Risk Register would be updated for all items that had come out of the emerging risk exercise.

- One Member noted some new strategic risks around Local Government Reorganisation (LGR). It was queried when these risks would be incorporated within the Draft Strategic Risk Register, and whether these could be reviewed on a more frequent basis (quarterly), due to the nature of the risks.

The Deputy Chief Executive clarified that LGR had been identified to go onto the Strategic Risk Register and if approved would be brought back to the Governance and Audit Committee in September. The risk would include controls, actions and mitigations in place. The Council was expecting a response from Government on the indicative submission of LGR by June 2025.

As part of the Committee's term of reference was the element of strategic risk and not project review. There would be two layers of risk management for LGR, the strategic element which would be brought back to the Committee following its inclusion onto the Strategic Risk Register and the risks being managed via the project management of LGR would be reported to the appropriate Committee or other governance structure.

- A query was raised on transforming the Council through digital technology and Ai and how this would feed into risk management.
- Another Member felt that information may need to be provided sooner or more regularly in particular elements.
- Concern was raised on the effective use of apprenticeship scheme to build entry level capacity and build experience in local government in the future and that the Council was unable to maintain and build sufficient staffing capacity and capability. It was felt there was a need for apprenticeships.

The Deputy Chief Executive clarified that the transformation around investing in Ai and other technology process automation made by the Council would be reviewed depending upon the outcome of LGR discussions. It was unknown whether investment in digital technology and Ai was appropriate or necessary if the Council was taken forward into the LGR review.

**ACTION: For the Deputy Chief Executive to engage with the Head of Paid Service for HR on apprenticeships and provide a response to the relevant Member.**

Councillor Mark Whittington noted that he would like more regular, quarterly updates on LGR, due to possible issues that may occur in the future.

The Deputy Chief Executive further confirmed that within the current Constitution, this Committee would not be appropriate in monitoring progress of the LGR. Discussions would need to take place on whether a different Committee or governance structure would need to be put into place, should the LGR go ahead.

**ACTION: For the Assistant Director (Governance and Public Protection) and Monitoring Officer to explore options on which Committee would be best to**

**determine LGR or whether a new governance structure would need to be put into place, should the LGR go ahead.**

- A comment was made on risk 3 (serious health, safety, and well-being failure by the Council). Concern was raised that any reference to well-being did not occur anywhere else on the document. It was suggested to refer to Health and Safety and Wellbeing Policy and Health and Safety and Wellbeing Manager.

The RSM Partner confirmed that the risk could be brought out more thoroughly when the risks were revised or reviewed with management. More significant risks could be developed further to make sure the Committee have full understanding of what each of them mean.

It was proposed, seconded and **AGREED**:

For the Strategic Risk Register and Emerging Risk Radar to be reported to the Committee on a quarterly basis.

It was proposed, seconded and **AGREED** to approve:

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

### **83. Work Programme 2025 - 2026**

The Committee noted the Work Programme.

The Deputy Chief Executive confirmed that an indicative Work Programme would be appended to the Annual Report 2025/26 at the AGM on 22 May 2025.

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

There were none.

### **85. Close of meeting**

The Chairman closed the meeting at 11:54.

# Action Sheet

To provide members with an update on actions agreed at the 19 March 2025 meeting of the Governance and Audit Committee.

Min no.	Agenda Item	Action(s)	Assigned to	Comments/status	Deadline
15	78 Regulation of Investigatory Powers Act Policy	To confirm whether the onus would be on the Council if the Police were to request CCTV operators to monitor an individual under covert surveillance without a RIPA in place.	Assistant Director (Governance and Public Protection) and Monitoring Officer (Delegated to the Head of Service, Public Protection)	If the Police were conducting directed surveillance on an individual, then the onus is for the Police to ensure a directed surveillance authority is in place. If, as part of that authority, they requested SKDC CCTV to monitor an individual under directed surveillance, then the CCTV operator would ensure that a directed surveillance authority was in place before being a conduit for the Police covert surveillance	COMPLETE
	82 Strategic Risk Register including Emerging Risk Radar	For the Deputy Chief Executive to engage with the Head of Paid Service for HR on apprenticeships and provide a response to the relevant Member.	Deputy Chief Executive	COMPLETED	
	82 Strategic Risk Register including Emerging Risk Radar	To explore options on which Committee would be best to determine LGR or whether a new governance structure would need to be put into	Assistant Director (Governance and Public Protection) and Monitoring Officer		18 <sup>th</sup> June 2025

# Action Sheet

		place, should the LGR go ahead.			

# South Kesteven District Council

**DRAFT - Report to the  
Governance and Audit Committee**

**External Audit Plan & Strategy for the year ended  
31 March 2025**

June 2025

# Introduction

## To the Governance and Audit Committee of South Kesteven District Council

We are pleased to have the opportunity to meet with you on 18 June 2025 to discuss our audit of the financial statements of South Kesteven District Council for the year ending 31 March 2025.

This report provides the Governance and Audit Committee with an opportunity to review our planned audit approach and scope for the 2024/25 audit. The audit is governed by the provisions of the Local Audit and Accountability Act 2014 and in compliance with the NAO's 2024/25 Code of Audit Practice, auditing standards and other professional requirements.

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

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

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## The engagement team

Salma Younis is the engagement director on the audit. She has over 20 years experience in public sector audit. She shall lead the engagement and is responsible for the audit opinion.

Other key members of the engagement team include John Blewett (engagement manager) and Katie Lindsay (assistant manager) with 7 and 4 years of experience respectively.

Yours sincerely,

**Salma Younis**

*Director - KPMG LLP*

**June 2025**

## How we deliver audit quality

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

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

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

We depend on well planned timing of our audit work to avoid compromising the quality of the audit. This is also heavily dependent on receiving information from management and those charged with governance in a timely manner.

We aim to complete all audit work no later than 2 days before audit signing.

We are committed to providing you with a high quality service. If you have any concerns or are dissatisfied with any part of KPMG's work, in the first instance you should contact Salma Younis ([Salma.Younis@KPMG.co.uk](mailto:Salma.Younis@KPMG.co.uk)), the engagement lead to the Authority, who will try to resolve your complaint. If you are dissatisfied with the response, please contact the national lead partner for all of KPMG's work under our contract with Public Sector Audit Appointments Limited, Tim Cutler ([tim.cutler@kpmg.co.uk](mailto:tim.cutler@kpmg.co.uk)). After this, if you are still dissatisfied with how your complaint has been handled you can raise your complaint as per the following process [Complaints](#).

# Overview of planned scope including materiality

## Our materiality levels

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

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

To respond to aggregation risk from individually immaterial misstatements, we design our procedures to detect misstatements at a lower level of materiality £1.27m / 65% driven by our expectations of normal level of undetected or uncorrected misstatements in the period. We also adjust this level further downwards for items that may be of specific interest to users for qualitative reasons, such as officers' remuneration.

## We will report misstatements to the audit committee including:

- Corrected and uncorrected audit misstatements above £85k
- Errors and omissions in disclosure (corrected and uncorrected) and the effect that they, individually in aggregate, may have on our opinion.
- Other misstatements we include due to the nature of the item.

## Control environment

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

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

## Group Materiality

### Group

**£1.7m**

(2% of expenditure £85m  
23/24: £1.6m)

### Performance Materiality

**£1.27m**

(23/24: £1.04m)

### Misstatements reported to the audit committee

**£85k**

(23/24: £80k)

## Council Materiality

**£1.7m**

2% of forecast Council Expenditure £85m



# Overview of planned scope including materiality (cont.)

## Timing of our audit and communications

We will maintain communication led by the engagement partner and manager throughout the audit. We set out below the form, timing and general content of our planned communications:

- Kick-off meeting with management in February 2025 where we outlined our audit approach and discussed management's progress in key areas;
- Governance and Audit Committee meeting in June 2025 where we plan to present our audit plan;
- Status meetings with management in July to December 2025 where we communicate progress on the audit plan, any misstatements, control deficiencies and significant issues;
- Closing meeting with management in November/December 2025 where we discuss the auditor's report and any outstanding deliverables;
- Governance and Audit Committee meeting in (month TBC) where we communicate audit misstatements and significant control deficiencies; and
- Biannual private meetings can also be arranged with the Committee Chair.

The above timings are subject to change as the Council confirmed there is a risk that it may not issue its statement of accounts by 30 June 2025.

## Using the work of others and areas requiring specialised skill

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

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

# Significant risks, Higher assessed risks and Other audit risks

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

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

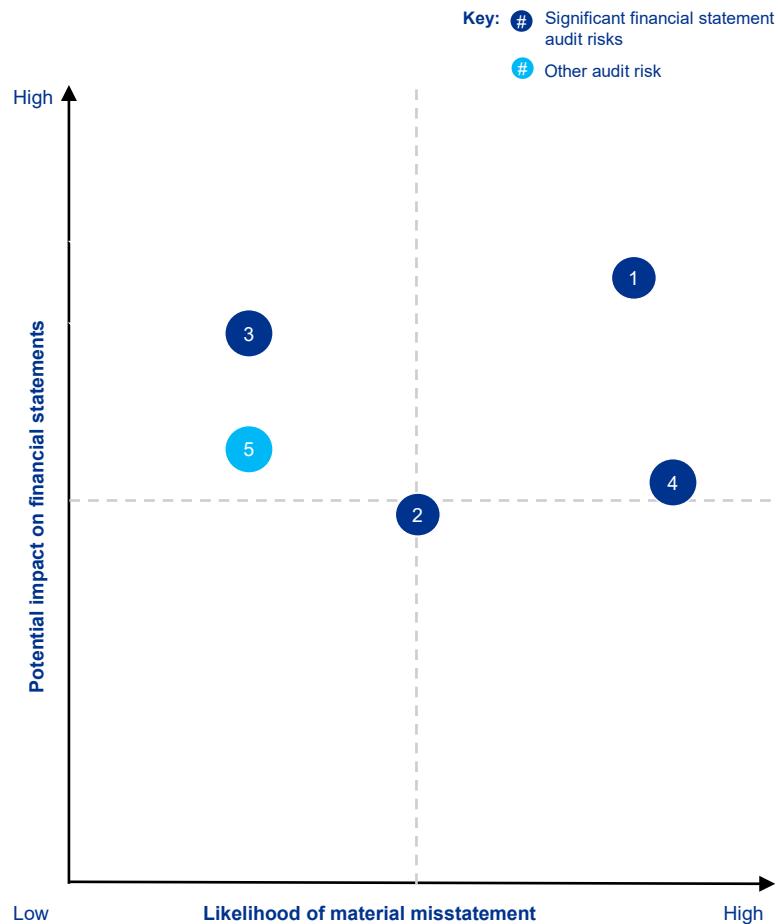
Due to the current levels of uncertainty there is an increased likelihood of significant risks emerging throughout the audit cycle that are not identified (or in existence) at the time we planned our audit. Where such items are identified we will amend our audit approach accordingly and communicate this to the Audit Committee.

## Value for money

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

Our risk assessment in relation to Value for Money starts on page 14 and we will report the output of this work to the June Audit Committee.

Significant risks
1. Valuation of land and buildings
2. Valuation of investment property
3. Management override of controls
4. Valuation of post retirement benefit obligations
Other audit risks
5. IFRS 16 adoption



# Audit risks and our audit approach (cont.)

1

## Valuation of land and buildings

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

Change vs prior year 



### Significant audit risk

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

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

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

From our risk assessment of the elements within the valuations estimate, we have focused our significant risk over the BCIS indices for the DRC valuations and the rental rate & yield assumptions used for the EUV valuations. For valuation of Council Dwellings we have identified a significant risk over the categorisation of beacon properties.



### Planned response

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

- We will critically assess the independence, objectivity and expertise of the District Valuer, the valuers used in developing the valuation of the Council's properties at 31 March 2025;
- We will inspect the instructions issued to the valuers for the valuation of land and buildings to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised;
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

2

## Valuation of investment property

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

Change vs prior year 



### Significant audit risk

The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both. Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at March 2024, the value of investment properties was £12.7m.

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

From our risk assessment of the elements within the valuations estimate we have focused our significant risk over the income approach methodology and the yield assumptions.



### Planned response

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

- We will critically assess the independence, objectivity and expertise of the valuer used in developing the valuation of the council's investment property at 31 March 2025;
- We will inspect the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code;
- We will compare the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We will evaluate the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We will challenge the appropriateness of the valuation; including any material movements from the previous revaluations. We will challenge key assumptions within the valuation as part of our judgement;
- We will agree the calculations performed of the movements and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code;
- We will utilise our own valuation specialists to review the valuation report prepared by the Council's valuer to confirm the appropriateness of the methodology utilised; and
- Disclosures: We will consider the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation.

# Audit risks and our audit approach (cont.)

3

## Management override of controls(a)

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

Change vs prior year 



### Significant audit risk

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



### Planned response

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

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

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

# Audit risks and our audit approach (cont.)

4

## Valuation of post retirement benefit obligations

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

Change vs prior year 



**Significant audit risk**

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



**Planned response**

We will perform the following procedures:

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

# Audit risks and our audit approach

5

## Adoption of IFRS 16

An inappropriate amount is estimated and recorded for lease liabilities and right of use assets

Change vs prior year



### Other audit risk

The Council has adopted IFRS 16 as per CIPFA's Code of Practice on Local Authority Accounting in the United Kingdom (2024/25) with an implementation date of 1 April 2024.

We anticipate the following impact in the first year of implementation.

- Risk of completeness of lease listing used in transition computations.
- Risk of inadequate lease disclosures as per IFRS 16.
- Risk of inaccurate computation of lease liabilities and right of use assets.
- Training needs for new/existing staff



### Planned response

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

- Obtain the full listings of leases and reconcile to the general ledger.
- Review a sample of the lease agreements to determine the terms of the leases and confirm correct classification.
- Review the appropriateness of the discount rate used in the lease computations.
- Review the transition adjustments passed by the Council's.
- Review the disclosures made on the financial statements against requirements of IFRS16.

# Audit risks and our audit approach

## Revenue – Rebuttal of Significant Risk

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

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

## Expenditure – rebuttal of Significant Risk

Practice Note 10 states that the risk of material misstatement due to fraudulent financial reporting may arise from the manipulation of expenditure recognition is required to be considered. Having considered the risk factors relevant to the Council and the nature of expenditure within the Council, we have determined that a significant risk relating to expenditure recognition is not required. Specifically, the financial position of the Council, (whilst under pressure) is not indicative of a position that would provide an incentive to manipulate expenditure recognition has not identified any specific risk factors.

# Mandatory communications - additional reporting

## Going concern

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

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

## Additional reporting

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

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

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

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

# Mandatory communications

Type	Statements
<b>Management's responsibilities (and, where appropriate, those charged with governance)</b>	<p>Prepare financial statements in accordance with the applicable financial reporting framework that are free from material misstatement, whether due to fraud or error.</p> <p>Provide the auditor with access to all information relevant to the preparation of the financial statements, additional information requested and unrestricted access to persons within the Council.</p>
<b>Auditor's responsibilities</b>	<p>Our responsibilities set out through the NAO Code (communicated to you by the PSAA) and can be also found on their website, which include our responsibilities to form and express an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.</p>
<b>Auditor's responsibilities – Fraud</b>	<p>This report communicates how we plan to identify, assess and obtain sufficient appropriate evidence regarding the risks of material misstatement of the financial statements due to fraud and to implement appropriate responses to fraud or suspected fraud identified during the audit.</p>
<b>Auditor's responsibilities – Other information</b>	<p>Our responsibilities are communicated to you by the PSAA and can be also found on their website, which communicates our responsibilities with respect to other information in documents containing audited financial statements. We will report to you on material inconsistencies and misstatements in other information.</p>
<b>Independence</b>	<p>Our independence confirmation at page 33 discloses matters relating to our independence and objectivity including any relationships that may bear on the firm's independence and the integrity and objectivity of the audit engagement partner and audit staff.</p>

# Value for money risk assessment

# Value for money

**Our value for money reporting requirements have been designed to follow the guidance in the Audit Code of Practice.**

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

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

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

## Risk assessment processes

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

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

## Reporting

Our approach to value for money reporting aligns to the NAO guidance and includes:

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

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

### Financial sustainability

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

### Governance

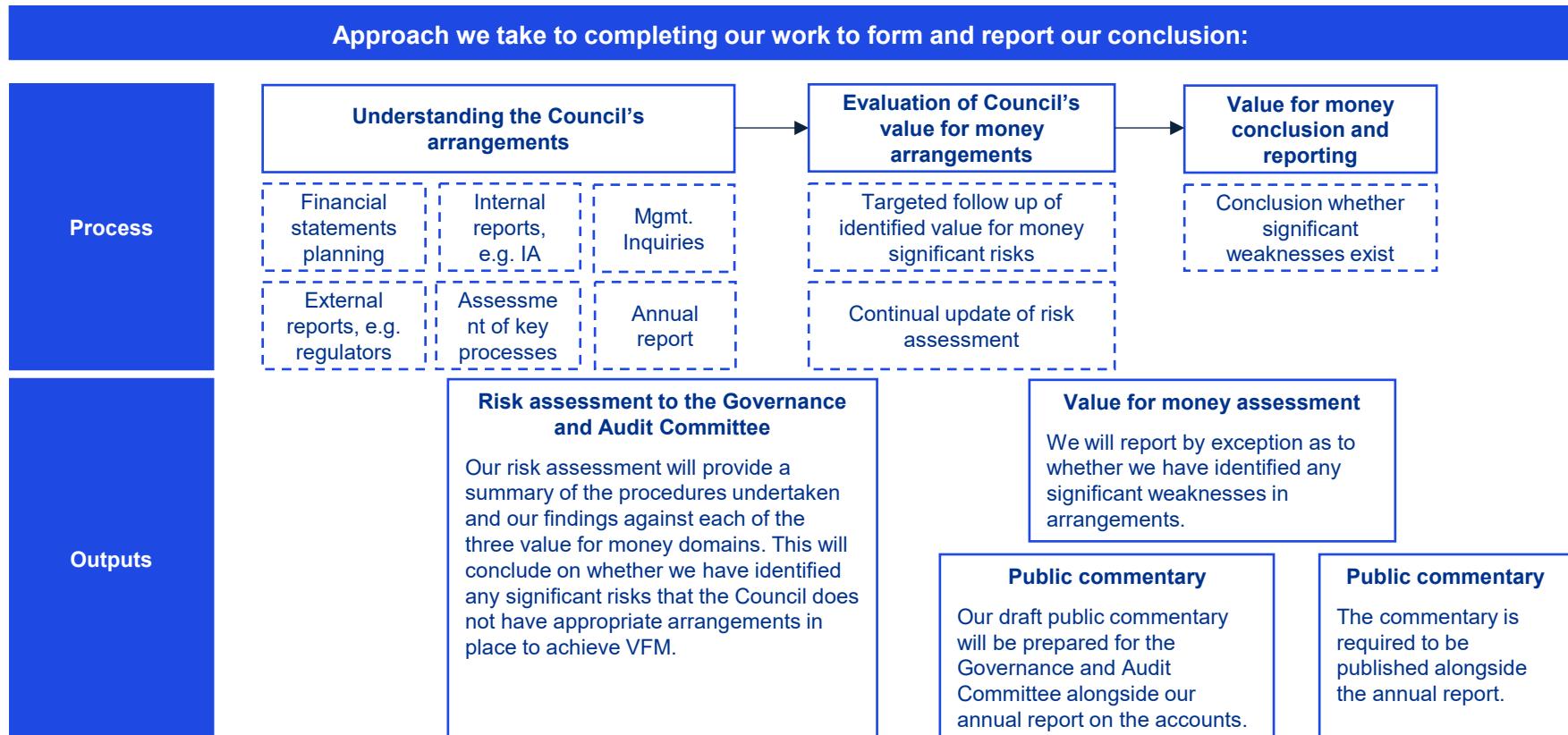
*How the body ensures that it makes informed decisions and properly manages its risks.*

### Improving economy, efficiency and effectiveness

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

# Value for money

32



# Summary of risk assessment

## Summary of risk assessment

As set out in our methodology we have evaluated the design of controls in place for a number of the Council's systems, reviewed reports from external organisations and internal audit and performed inquiries of management. These procedures are consistent with prior year.

Based on these procedures the table below summarises our assessment of whether there is a significant risk that appropriate arrangements are not in place to achieve value for money at the Council for each of the relevant domains:

Domain	Significant risk identified?
Financial sustainability	No significant risks identified
Governance	No significant risks identified
Improving economy, efficiency and effectiveness	No significant risks identified

Based on our work to date, we have not identified any significant risks that there are not appropriate arrangements in place. We have provided a summary of the procedures performed and our key findings from these on pages 18 to 24.

We have followed up on prior year performance improvement observations as a result of our work and documented management's updated responses on pages 25 - 28.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

### Summary of risk assessment

The budget setting process is a rolling process as part of the medium-term financial plan, this usually starts in the autumn of the previous year. For 2024/25, the preparation of the budget began in October 2023 with draft budgets approved in January 2024. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process.

Budgets are initially prepared at a service level with budget holders producing initial expectations of requirements using their knowledge of the directorate through ongoing budget planning meetings. This is then presented to the Finance team for challenge of assumptions. Individual budget lines are analysed by finance looking at the previous three years to establish trends which are then discussed with budget holders to ensure pressures or potential savings are identified at an early stage. These savings are then incorporated into the plan. Our discussions with finance team and services identified that detailed analysis on both demographic pressures and inflationary pressures for each directorate are considered during the initial budget preparation stage. Communications take place prior to setting the budgets to allow review and challenge of any assumptions. The Budget Joint Scrutiny Overview and Scrutiny Committee provide cross party challenge of the budget and budget proposal.

Financial Performance is reported to the Finance and Economic Overview and Scrutiny Committee ahead of reporting to Cabinet on a quarterly basis. Forecasts are developed with budget holders using year to date performance and commitments to help inform the forecasting. The Finance team meet with budget holders to agree forecast outturn positions, these are then agreed with Directors. These are detailed through the quarterly monitoring reports. The overall position is then presented to the S151 Officer for agreement prior to reporting to Members.

For 2024/25, the Council set a balanced budget, with no planned use of the Budget Stabilisation Reserve. Throughout the year there were lower than expected adjustments to budget however the Council ultimately reported a net underspend of £707k against the adjusted budget. The key drivers of these positive movements in the forecast were an underspend on planning fee income (£200k) and fuel (£363k) driven by lower than expected increases and improved investment income (£446k) due to higher interest rates. Overall, the Council closing General Fund reserves, are above the Council's stated prudent minimum.

# Value for money arrangements

## Financial sustainability

In assessing whether there was a significant risk of financial sustainability we reviewed:

- The processes for setting the 2024/25 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2024/25 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2024/25 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

The Council's budget for 2024/25 included no requirement to deliver savings. Savings plans are usually developed as part of the overall budget setting process and therefore encounter the same levels of challenge, scrutiny and approval as the budget. Actions are identified where there are risks in financial performance for each service through the year. Savings are not separately reported but key savings identified in year are detailed in the reporting on significant variances to budget, for example, as a result of the corporate restructure. This demonstrates the Council's arrangements are operating effectively.

Under the medium-term financial plan, the Council has identified outstanding savings total for 2025/26 and 2026/27. Overall, as per the Corporate plan to 2028, the Council has identified a savings requirement of £1.1m. The objectives of the corporate plan, including key capital projects, are identified within the budget setting process to ensure consistency.

The Council's Risk Management Policy details a clear process and reporting structure in how the entity responds and manages risks. Various risks relating to financial sustainability have been identified by the Council including risks related to future financial deficits, continued inflationary pressures and requirement for borrowing to fund capital projects. Actions identified to mitigate these include regular monitoring of overspend and use of sensitivity to identify worst case scenarios for inflation. The Council has also identified savings plans and is modelling the impact of any borrowing that might be undertaken.

The Council continues to support its wholly owned subsidiary Leisure SK Ltd. LeisureSK was in a deficit position through 2023/24 due to increased staff costs, utilities and an issue around irrecoverable VAT. Management prepared a budget for 2024/25 with an increased management fee of £450k from the Council and as part of the conditions set by the Culture and Leisure Overview and Scrutiny they requested a recovery and mitigation plan to ensure the management fee was sufficient for the company's cashflow. This was subsequently received and approved in September 2024. In response to LeisureSK's financial difficulties the committee had also reviewed options for a new contract with the company and recommended to Cabinet that LeisureSK continue to deliver services under an agency model to stabilise its finances. Cabinet approved this in September 2024 and the new contract commenced on 1<sup>st</sup> April 2025.

### Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with the Council's arrangements in relation to securing financial sustainability.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

### Summary of risk assessment

Risks are identified in line with the Council's Risk Management Strategy. There are several levels of risk management identified - Strategic, Service and Project – and these are monitored through regular review by the register owners, Corporate Management Team (CMT), Heads of Service and Governance and Risk Officer. Assessing the impact and likelihood of each risk is done through a matrix which uses a likelihood/impact model to calculate a risk score. The score is assigned as per the strategy guidance. Challenge comes through a range of officer involvement through project boards. Support is also bought in from the Risk Management Group as required to provide further support and challenge.

The Strategic risk register is presented to Governance and Audit Committee twice a year for review. As at 31 March 2025, there were 15 risks contained within the strategic risk register; 12 were rated high (almost certain/critical) and 3 were rated medium (probable/major). The development of actions is completed using the risk management framework guidance. Actions use the Treat, Tolerate, Transfer, Terminate matrix to evaluate responses to the risk depending on the severity and likelihood. Monitoring is undertaken through either project management teams or boards. When reported to Governance and Audit committee, members are asked to consider the register and report any comments/issues to CMT and Cabinet who also receive the register. Committee reports for all key decisions are mandated to set out the key risk associated with the proposed decision.

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

The 2024/25 financial plan, as part of the medium-term financial plan, went through several levels of review prior to approval by the Council in March 2024. The financial plan includes a risk assessment of the key financial risks that the Council faces over the period. These risks are modelled to include increased utility and fuel costs, impact of national pay award, changes to council tax base, business rates base, interest rates etc. The analysis identifies a likelihood percentage and risk value amount, with a worst-case scenario impact on the current reserves.

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

Financial performance is monitored against budget regularly as outlined in the Financial Sustainability section of this report. As part of reporting to Overview and Scrutiny Committee, variances against budget are clearly identified and explained. Any mitigating actions are also identified. During 2024/25 the Council has been able to manage increases in costs with increased investment income and car park income to mitigate the need for using the Budget Stabilisation Reserve.

The Monitoring Officer is responsible for monitoring compliance with all relevant/applicable legal requirements. All Executive reports are subject to mandatory consultation with the Chief Executive, Section 151 Officer and Monitoring Officer. Where required Executive Reports are supported by Equality Impact Assessments. Management inquiries have confirmed there have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body during the year.

The Council's Code of Conduct communicates values and expected behaviours of staff and Council members, this is covered through the Code of Conduct and Disciplinary Policy. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regard to gifts and hospitality and the register of interests. There are a number of other policies available to view on the Council's website as well as the Constitution which details the Terms of Reference for each committee and the responsibilities of key officers.

As part of our review we identified an increase in the number of member complaints in 2023/24 under the member code of conduct policy. These complaints required initial investigation by officers and for several cases the Council engaged independent legal expertise to complete investigations. In 2024/25 this resulted in additional legal costs to the Council of c.£70k. We note also that the high volume of complaints would require a considerable amount of senior officer time.

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

# Value for money arrangements

## Governance

In assessing whether there was a significant risk relating to governance we reviewed:

- Processes for the identification, monitoring and management of risk;
- The design of the governance structures in place at the Authority;
- Controls in place to prevent and detect fraud;
- The review and approval of the 2024/25 financial plan by the Authority, including how financial risks were communicated;
- How compliance with laws and regulations is monitored;
- Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and
- How the Authority ensures decisions receive appropriate scrutiny.

One such decision was to sell land at St Martin's Park. In 2023/24 the Council examined options available for the St Martin's Park land project and subsequently approved the decision to sell the land in order to mitigate the financial deficit on the project. As at October 2024, sales contracts had been exchanged committing developers to the scheme at the sale contract prices agreed by Council and landowners and developers were working on items that needed to be finished before the sale contract could be completed with the developers.

The Council had also made key decisions in relation to the new Finance system due to be introduced in year. As we reported in our prior year report, the Council had planned to implement a new finance system from April 2024, however a decision was made to postpone this to April 2025 due to changes in key finance team members, and to enable the Council to engage specialist support for the roll-out to mitigate any risks. It was also deemed a lower risk at the time if a new system is implemented at the commencement of the new financial year. The Council extended the software licence for its existing finance system and the additional cost was approved as part of the 2024/25 budget.

In February 2025 however, the Council made the decision to postpone the 'go live' date to July 2025. This decision was taken due to further changes in key finance team members and to avoid incurring significant costs from the engaged specialists who would be required to take on more of the implementation work to meet the original deadline. The delay would also help the finance team to manage their competing priorities in relation to year-end close and accounts preparations. We will continue to monitor the Council's project management in this area.

As stated above there have been some changes in senior staffing in the Finance team in 2024/25. The Interim Deputy Director of Finance left the Council in February 2025 and has been replaced by a permanent appointment. The changes in the finance team are expected to impact the production of the draft annual statement of accounts, with the risk of missing the June 2025 deadline for publishing draft accounts. We continue to liaise with the S151 Officer and his Deputy on this matter.

### Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with the Council's arrangements in relation to governance.

# Value for money arrangements

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Authority has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

### Summary of risk assessment

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

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

The Council's performance framework is driven by the Corporate Plan priorities: Healthy & Strong Communities, Growth & Our economy and High Performing Council. The most recent performance reports is that for Q2, with monitoring of actions split across the different Overview and Scrutiny Committees. The Finance and Economic committee had 20 actions. Of those actions with updates, 12 actions were on target and 2 were below target. The below target actions related to the delay in the implementation of the new finance system and ensuring all contract awards under £25k are fully compliant with procurement policy.

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

We note that the Council has continued to underspend against its capital plan through 2024/25 due to phasing of the work, for example on the new depot project. This has led to planned capital budget being carried forward into 2025/26. This underspend has been reported to Cabinet and Finance and Economic Overview and Scrutiny committee through the year and we will revisit the position at year-end.

# Value for money arrangements

## Improving economy, efficiency and effectiveness

In assessing whether there was a significant risk relating to improving economy, efficiency and effectiveness we reviewed:

- The processes in place for assessing the level of value for money being achieved and where there are opportunities for these to be improved;
- The development of efficiency plans and how the implementation of these is monitored;
- How the performance of services is monitored and actions identified in response to areas of poor performance;
- How the Authority has engaged with partners in development of the organisation and system wide plans and arrangements;
- The engagement with wider partnerships and how the performance of those partnerships is monitored and reported; and
- The monitoring of outsourced services to verify that they are delivering expected standards.

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

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

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

We note that in response to the Government White Paper on Local Government Reorganisation, the Council examined a number of options within its submission after working with neighbouring District Councils. These interim plans were formally approved and were submitted in time for the 21<sup>st</sup> March deadline as set by MHCLG. The Council continues to work on these plans with relevant parties for the next submission deadline in November 2025. This is a developing area and we will continue to monitor throughout this and subsequent audits.

### Risk assessment conclusion

Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with the Council's arrangements in relation to improving economy, efficiency and effectiveness.

# Performance improvement observations - follow up from prior year

We have been provided with updated management responses below. We will follow these up fully as part of our VfM work at the final audit stage and provide KPMG commentary in the Annual Auditor Report.

Priority rating for observations				
#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update from Management May 2025
1	① Priority one: issues that are fundamental and material to your system of internal control. We believe that these issues might mean that you do not meet a system objective or reduce (mitigate) a risk.	② Priority two: issues that have an important effect on internal controls but do not need immediate action. You may still meet a system objective in full or in part or reduce (mitigate) a risk adequately but the weakness remains in the system.	③ Priority three: issues that would, if corrected, improve the internal control in general but are not vital to the overall system. These are generally issues of best practice that we feel would benefit you if you introduced them.	
1	② Management response to VfM	We note that management's response to our initial VfM risk assessment requests was significantly delayed – the process was initially started in November 2023 but we were only able to start our detailed review from October 2024 onwards due to delayed receipt of the completed management questionnaire and supporting documentation. The completed questionnaire was also lacking sufficient detail, in-depth responses and was focused on financial performance. Thus, the opportunity for the Council to promote itself and share insight on good examples of VFM arrangements was lost somewhat. We recommend a named individual is assigned ownership of the VfM work within the Council. Their role would include oversight of the completeness of the VfM management questionnaire, collation of supporting documentation, liaison across the Council directorates to give a balanced perspective of arrangements in place, and act as the point of contact for the audit team.	Response: The Council's s151 Officer will be the primary contact for receiving and coordinating the response to the VFM and liaising with colleagues to ensure a comprehensive response.  Officer responsible: s151  Officer Action Date: April 2025	2024/25 VFM response has been submitted on time and risk assessment is being presented to the G&A committee in June 2025.  The Council's s151 Officer was nominated as the lead officer and coordinated the responses in respect of the VFM work.

# Performance improvement observations - follow up from prior year

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update from Management May 2025
2	③	<p><b>Reporting on financial savings</b></p> <p>We recognise that there will be significant financial pressures in future years due to cost pressures and we expect the Council will have a greater focus on achieving specific savings to meet its financial targets, as identified in the Corporate plan. Currently we note that while savings are highlighted within quarterly financial reporting, achievement is not separately reported against savings plans. We recommend management consider separately monitoring achievements against savings targets as part of quarterly financial reporting to better understand the effectiveness of Council's savings plans</p>	<p>Response: There is currently no savings built into the 2024/25 budget framework. However, should there be savings built into future budgets, then appropriate monitoring will be put in place.</p> <p>Officer responsible: s151 Officer</p> <p>Action Date: n/a</p>	<p>There are currently no savings built into the 2025/26 budget framework as a balanced budget was achieved. However, once the medium term outlook has been reviewed following the Business baseline reset / fair funding review there may be a requirement to develop a savings plan to respond to any projected deficits. If a plan is required this will be covered through the budget monitoring process.</p>
3	②	<p><b>Leisure SK Ltd</b></p> <p>The Council as parent company has overall responsibility for the governance and performance of its subsidiary Leisure SK. Due to Leisure SK's financial difficulties in recent years, its management had to request additional unplanned contribution from the Council for 23/24. We note that Leisure SK also had significant changes in its Board of Directors through the year with a number of directors resigning and being replaced. We recommend the Council takes measures to ensure it has appropriate oversight of the subsidiary to avoid unplanned financial contributions and become help the company become financially sustainable. This could include tailored training for Directors appointed to Leisure SK board (from Council members) to improve their understanding of the company's financial position and performance.</p>	<p>Response: An action plan has already been put in place following the request for additional funding to further strengthen the governance and financial controls.</p> <p>Officer responsible: s151 Officer</p> <p>Action Date: January 2025</p>	<p>No additional funding was requested during 2024/25 as the cashflow and financial management has been significantly improved over the past year. The savings generated from the move to the Agency model will further strengthen the financial position. Regular budget monitoring is being undertaken by the Leisure Board and financial forecasting is provided by the Council to enable any corrective action to be taken.</p> <p>Director training has been undertaken.</p>

# Performance improvement observations - follow up from prior year

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update from Management May 2025
4	②	<p><b>St Martin's Park land purchase</b></p> <p>The purchase of the land at St Martin's Park in 2019 and subsequent identification of unplanned remediation costs posed a significant financial impact to the Council. The Council engaged external independent commercial assets consultants to detail options on the way forward to ensure the project was delivered and would meet the agreed objectives, including the mitigation of the deficit on the project. These were presented to the Council in February 24 and actions agreed. We recommend management undertake a 'lessons learnt' exercise following the sale of the land at St Martin's Park, focusing on the need for completing appropriate due diligence for similar transactions.</p>	<p>Response: A lessons learnt report will be undertaken once the project has been successfully completed.</p> <p>Officer responsible: s151 Officer</p> <p>Action date: June 2025</p>	<p>The project continues to be managed through the project board and is nearing overall completion which after that time a full financial appraisal will be undertaken as part of the lessons learnt process.</p>
5	②	<p><b>Implementation of new finance system</b></p> <p>The Council made the decision in year to delay the introduction of a new finance system (Unit 4) and have proposed a go-live date in April 2025. This will be a significant piece of work at a time when there have been changes in senior staff. We recommend the Council ensures there is appropriate project management in place to introduce the new finance system for the planned April 2025 date and avoid any further delay and associated cost</p>	<p>Response: Robust project management is already in place and the Council has further strengthened this by engaging with an external project management consultancy firm to ensure successful system implementation of April 2025.</p> <p>Officer responsible: s151 Officer</p> <p>Action date: January 2025</p>	<p>The AD for Finance is now lead project manager and utilising specialist external support we are on track for the agreed revised Go Live date of July 2025.</p>

# Performance improvement observations - follow up from prior year

#	Risk	Issue, Impact and Recommendation	Management Response / Officer / Due Date	Update from Management May 2025
6	②	<b>Accounts preparation</b>  The change in the finance team impacted on the production of the annual statement of accounts for 2023/24, and they were published in draft in September 2024 rather than the planned May 2024 deadline. We recommend management review the accounts production processes and timetable for 2024/25 to ensure they have necessary capacity to meet the regulatory deadline and reporting timetable	Response: The timetabling and resource allocation for the closure and preparation of the draft 2024/25 accounts is already in place and interim support has also been implemented.  Officer responsible: s151 Officer  Action date: January 2025	A timetable and resource allocation plan is in place but this will continue to be a challenge this year with the changes and transition period of staff moving into key roles alongside the implementation of the new finance system. The council have confirmed to external audit there is a risk that it may not issue its statement of accounts by 30 June 2025.

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# Audit team and rotation

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

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



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

# Audit cycle & timetable

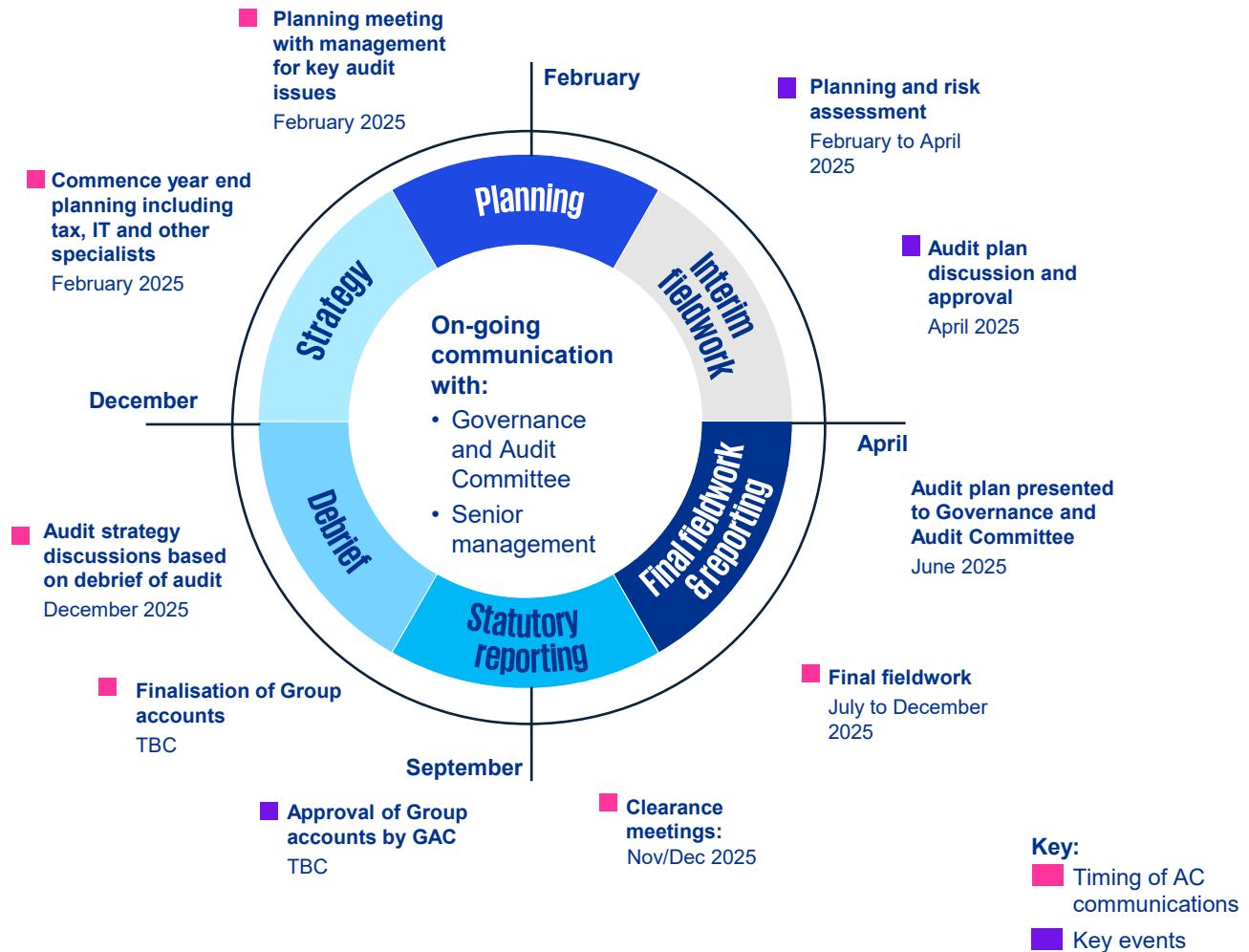
## Our schedule Feb 2025 - Dec 2025

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

We have agreed with management an audit cycle and timetable that reflects our aim to sign our audit report by February 2026.

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

Given the large amount of consultation happening in regard to the scope and timing of local government, and as the Council confirmed there is a risk that it may not issue its statement of accounts by 30 June 2025, **this audit schedule may be subject to change.**



# Fees

## Audit fee

Our fees for the year ended 31 March 2025 are set out in the PSAA Scale Fees communication and are shown below.

Entity	2024/25 (£'000)	2023/24 (£'000)
Statutory audit	166	151
ISA315R	-	12
Fee variations	-	6
<b>TOTAL</b>	<b>166</b>	<b>169</b>

The fees also assume no significant risks are identified as part of the Value for Money risk assessment. Additional fees in relation to these areas will be subject to the fees variation process as outlined by the PSAA.

Should this audit be selected as a sampled component by the NAO as a result of ISA600, any resulting work will also be subject to additional fee to be agreed later in the year.

## Billing arrangements

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

## Basis of fee information

Our fees are subject to the following assumptions:

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

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

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

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

# Confirmation of Independence

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

## To the Governance and Audit Committee members

### Assessment of our objectivity and independence as auditor of South Kesteven District Council

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

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

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

### General procedures to safeguard independence and objectivity

KPMG LLP is committed to being and being seen to be independent. As part of our ethics and independence policies, all KPMG LLP partners/directors and staff annually confirm their compliance with our ethics and independence policies and procedures including in particular that they have no prohibited shareholdings.

Our ethics and independence policies and procedures are fully consistent with the requirements of the FRC Ethical Standard. As a result we have underlying safeguards in place to maintain independence through: Instilling professional values.

- Communications.
- Internal accountability.
- Risk management.
- Independent reviews.

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

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

#### *Summary of non-audit services*

Facts and matters related to the provision of non-audit services and the safeguards put in place that bear upon our independence and objectivity, are set out in the table overleaf.

# Confirmation of Independence

Disclosure	Description of scope of services	Principal threats to Independence	Safeguards Applied	Basis of fee	Value of Services Delivered in the year ended 31 March 2025 £k	Value of Services Committed but not yet delivered £m
1	Housing benefit grant certification	Management Self review Self interest	<ul style="list-style-type: none"> <li>Separate teams</li> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	TBC (23/24: £27)	TBC
2	Pooling of Local Authority Housing Receipts audit	Management Self review Self interest	<ul style="list-style-type: none"> <li>Separate teams</li> <li>Standard language on non-assumption of management responsibilities is included in our engagement letter.</li> <li>The engagement contract makes clear that we will not perform any management functions.</li> <li>The work is performed after the audit is completed and the work is not relied on within the audit file.</li> <li>Our work does not involve judgement and are statements of fact based on agreed upon procedures.</li> </ul>	Fixed	TBC (23/24: £6)	TBC

# Confirmation of Independence (cont.)

## Summary of fees

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

## Fee ratio

The ratio of non-audit fees to audit fees for the year is to be confirmed however based on the 23/24 fees of £33k we do not anticipate that the ratio would exceed 0.2:1. We therefore do not consider that the total non-audit fees create a self-interest threat since the absolute level of fees is not significant to our firm as a whole.

2024/25	
	£'000
Statutory audit	166
Other Assurance Services	TBC
<b>Total Fees</b>	<b>166</b>

## Independence and objectivity considerations relating to other matters

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

## Confirmation of audit independence

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

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

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

Yours faithfully

*KPMG LLP*

# KPMG's Audit quality framework

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

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

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

- **Commitment to continuous improvement**
  - Comprehensive effective monitoring processes
  - Significant investment in technology to achieve consistency and enhance audits
  - Obtain feedback from key stakeholders
  - Evaluate and appropriately respond to feedback and findings
- **Performance of effective & efficient audits**
  - Professional judgement and scepticism
  - Direction, supervision and review
  - Ongoing mentoring and on the job coaching, including the second line of defence model
  - Critical assessment of audit evidence
  - Appropriately supported and documented conclusions
  - Insightful, open and honest two way communications
- **Commitment to technical excellence & quality service delivery**
  - Technical training and support
  - Accreditation and licensing
  - Access to specialist networks
  - Consultation processes
  - Business understanding and industry knowledge
  - Capacity to deliver valued insights



# Statement on the Effectiveness of our system of quality management

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.

Our full Statement on the effectiveness of the System of Quality Management of KPMG UK LLP as at 30 September 2023 can be found [here](#).

*The extract below is the Statement on the Effectiveness of our system of quality management taken from our Transparency Report:*

As required by the International Auditing and Assurance Standards Board (IAASB)'s, International Standard on Quality Management (ISQM1), the Financial Reporting Council (FRC)'s International Standard on Quality Management (UK) 1 (ISQM (UK) 1), and KPMG International Limited Policy, KPMG UK LLP (the "Firm" and/or "KPMG UK") has responsibility to design, implement and operate a System of Quality Management for audits or reviews of financial statements, or other assurance or related services engagements performed by the Firm.

The objectives of the System of Quality Management are to provide the Firm with reasonable assurance that:

- The Firm and its personnel fulfil their responsibilities in accordance with professional standards and applicable legal and regulatory requirements, and conduct engagements in accordance with such standards and requirements; and
- Engagement reports issued by the Firm or engagement partners are appropriate in the circumstances.

KPMG UK outlines how its System of Quality Management supports the consistent performance of quality engagements in the 2023 Transparency Report.

Integrated quality monitoring and compliance programmes enable KPMG UK to identify and respond to findings and quality deficiencies both in respect of individual engagements and the overall System of Quality Management.

If deficiencies are identified when KPMG UK performs its annual evaluation of the System of Quality Management, KPMG UK evaluates the severity and pervasiveness of the identified deficiencies by investigating the root causes, and by evaluating the effect of the identified deficiencies individually and in the aggregate, on the System of Quality Management, with consideration of remedial actions taken as of the date of the evaluation.

Based on the annual evaluation of the Firm's System of Quality Management as of 30 September 2023, the System of Quality Management provides the Firm with reasonable assurance that the objectives of the System of Quality Management are being achieved.



# Understanding of IT



## Summary

**The release of ISA 315 (UK) revised brought an increased focus on Understanding of IT in the audit, and it continues to be an area of focus.**

Stakeholders now expect auditors to not only understand IT in detail, but also to consider the impact of the findings from their risk assessment procedures on their planned audit approach.

### Why is Understanding of IT so important?

Businesses continue to embrace increasingly complex and sophisticated IT systems and place more and more reliance on automated IT processing not simply for a competitive advantage, but also for "business as usual" operations.

This increased reliance means that to effectively audit accounts, balances and transactions, auditors are required to understand and challenge more around how those IT system and process work.

Therefore, Understanding of IT is a crucial building block of our audit strategy and influences our planned audit approach at every stage.

This is true regardless of whether controls reliance is planned or the audit is expected to be fully substantive in nature.

### What kind of things might we identify?

As part of our risk assessment procedures, we perform:

- An assessment of the formality, or otherwise, of certain financially relevant IT processes
- An evaluation of the design and implementation of related general IT controls
- An evaluation of the design and implementation of automated process level controls

As a result of these procedures, we may identify IT control deficiencies or IT process informalities that may have an impact on our planned audit approach.

Additionally, we may identify findings related to the wider control environment or threats to the accuracy or completeness of the information used by both Council management and auditors alike.

### What does this mean for our audits?

Auditors are being asked to consider the findings from their risk assessment procedures over IT in relation to the planned audit approach.

The findings may impact any area of the audit, however there are three main areas of focus where we anticipate that most impact as a result of identifying IT deficiencies or IT process informality;

- Increased risk to data integrity
- Additional fraud risk factors
- Additional high-risk criteria to be used in journals analysis

It is important to understand that these findings may have an impact regardless of planned reliance on automated controls and general IT controls.

## Appendix H

# ISA (UK) 600 Revised: Summary of changes



Summary	Area	Summary of changes and impact	Effect on audit effort
ISA (UK) 600 (Revised): Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors) is effective for periods commencing on or after 15 December 2023.	Risk-based approach	The nature and extent of risk assessment procedures performed by the group auditor at group level may increase, which may include further inquiries of group and/or component management and those charged with governance; analytical procedures, attendance of walkthroughs at components, and inspection and/or observation of additional component information. Consequently, while we will continue to work across the group audit to be as efficient in our interactions with you as possible, group and component management will typically receive additional, and more specific/granular requests, for information from both the group and component auditors.	
The new and revised requirements better aligns the standard with recently revised standards such as ISQM 1, ISA (UK) 220 (Revised) and ISA (UK) 315 (Revised). The revisions also strengthen the auditor's responsibilities related to professional skepticism, planning and performing a group audit, two-way communications between the group auditor and component auditors, and documentation.	Group auditor responsibilities	Through a more targeted audit response to address the group Risks of Material Misstatement, we may perform audit work and communicate with component management at a greater number of components within the group, and we may request less information from component management at certain components where we previously performed full scope audits for the Group audit, if we determine that a full scope audit is no longer necessary. While statutory audit requirements will still apply, this change may be beneficial for overall audit effort where a statutory audit is not required.	
	Flexibility in defining components	You may also see changes in the planned scope and timing of the audit in communications to group management and those charged with governance, such as changes to the identification of components and the work to be performed on their financial information, and/or changes to the nature of the group auditor's planned involvement in the work to be performed by component auditors. The impact will be greater where there are more components.	
	Quality management	Enhanced leadership, direction, supervision and review responsibilities of the group engagement partner may result in the group engagement partner needing to engage more extensively with group management, your component management and component auditors throughout the audit.	
	Robust communication	If the group auditor determines that the increased work effort is needed, this determination will impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
	Application of materiality and aggregation risk	The group auditor is required to prescribe required work at a more granular level. This may mean there is increased work for component auditors, particularly in year one, to align the requirements of the group audit and local statutory audits. We will continue to work closely to minimise this.	
	Revised independence principles	Changes in component performance materiality may result in changes to the nature, timing and extent of component auditor's work. If so, this may impact how much, and the type of, information you will need to provide to the group auditor or component auditors.	
		This may make it more challenging to address auditor rotation and other independence requirements for component auditors we may plan to involve in the group audit and mean more matters impacting independence may need to be communicated to you.	
		Potential changes to the component auditor firms engaged to perform work on financial information of components.	

# Appendix I

# FRC's areas of focus

5

The FRC released their **Annual Review of Corporate Reporting 2023/24** ('the Review') in September 2024 having already issued three thematic reviews during the year.

The Review and theatics identify where the FRC believes companies can improve their reporting. These slides give a high level summary of the key topics covered. We encourage management and those charged with governance to read further on those areas which are significant to their Council.



## Key expectations for 2024/25 annual reports

### Overview

The Review identifies that the quality of reporting across FTSE 350 companies has been maintained this year, but there is a widening gap in standards between FTSE 350 and non-FTSE 350 companies. This is noticeable in the FRC's top two focus areas, 'Impairment of assets' and 'Cash Flow Statements'.

'Provisions and contingencies' has fallen out of the top ten issues for the first time in over five years. This issue is replaced by 'Taskforce for Climate-related Financial Disclosures (TCFD) and climate-related narrative reporting'.

The FRC re-iterates that companies should apply careful judgement to tell a consistent and coherent story whilst ensuring the annual report is clear, concise and company-specific.

### Pre-issuance checks and restatements

The FRC expects companies to have in place a sufficiently robust self-review process to identify common technical compliance issues. The FRC continues to be frustrated by the increasing level of restatements affecting the presentation of primary statements. This indicates that thorough, 'step-back' reviews are not happening in all cases.

### Risks and uncertainties

Geopolitical tensions continue and low growth remains a concern in many economies, particularly with respect to going concern, impairment and recognition/recoverability of tax assets and liabilities. The FRC continue to push for enhanced disclosures of risks and uncertainties. Disclosures should be sufficient to allow users to understand the position taken in the financial statements, and how this position has been impacted by the wider risks and uncertainties discussed elsewhere in the annual report.

### Financial reporting framework

The FRC reminds preparers to consider the overarching requirements of the UK financial reporting framework in determining the information to be presented. In particular the requirements for a true and fair view, along with a fair, balanced, and comprehensive review of the company's development, position, performance, and future prospects.

The FRC does not expect companies to provide information that is not relevant and material to users, and companies should exercise judgement in determining what information to include.

Companies should also consider including disclosures beyond the specific requirements of the accounting standards where this is necessary to enable users to understand the impact of particular transactions or other events and conditions on the entities financial position, performance and cash flows.

## Appendix I

# FRC's areas of focus (cont.)

## Impairment of assets

Impairment remains a key topic of concern, exacerbated in the current year by an increase in restatements of parent company investments in subsidiaries.

Disclosures should provide adequate information about key inputs and assumptions, which should be consistent with events, operations and risks noted elsewhere in the annual report and be supported by a reasonably possible sensitivity analysis as required.

Forecasts should reflect the asset in its current condition when using a value in use approach and should not extend beyond five years without explanation.

Preparers should consider whether there is an indicator of impairment in the parent when its net assets exceed the group's market capitalisation. They should also consider how intercompany loans are factored into these impairment assessments.

## Cash flow statements

Cash flow statements remain the most common cause of prior year restatements.

Companies must carefully consider the classification of cash flows and whether cash and cash equivalents meet the definitions and criteria in the standard. The FRC encourage a clear disclosure of the rationale for the treatment of cash flows for key transactions.

Cash flow netting is a frequent cause of restatements and this was highlighted in the '[Offsetting in the financial statements](#)' thematic.

Preparers should ensure the descriptions and amounts of cash flows are consistent with those reported elsewhere and that non-cash transactions are excluded but reported elsewhere if material.

## Climate

This is a top-ten issue for the first time this year, following the implementation of TCFD.

Companies should clearly state the extent of compliance with TCFD, the reasons for any non-compliance and the steps and timeframe for remedying that non-compliance. Where a company is also applying the Companies Act 2006 Climate-related Financial Disclosures, these are mandatory and cannot be 'explained', further the required location in the annual report differs.

Companies are reminded of the importance of focusing only on material climate-related information. Disclosures should be concise and company specific and provide sufficient detail without obscuring material information.

It is also important that there is consistency within the annual report, and that material climate related matters are addressed within the financial statements.

## Financial instruments

The number of queries on this topic remains high, with Expected Credit Loss (ECL) provisions being a common topic outside of the FTSE 350 and for non-financial and parent companies.

Disclosures on ECL provisions should explain the significant assumptions applied, including concentrations of risk where material. These disclosures should be consistent with circumstances described elsewhere in the annual report.

Companies should ensure sufficient explanation is provided of material financial instruments, including company-specific accounting policies.

Lastly, the FRC reminds companies that cash and overdraft balances should be offset only when the qualifying criteria have been met.

## Judgements and estimates

Disclosures over judgements and estimates are improving, however these remain vital to allow users to understand the position taken by the company. This is particularly important during periods of economic and geopolitical uncertainty.

These disclosures should describe the significant judgements and uncertainties with sufficient, appropriate detail and in simple language.

Estimation uncertainty with a significant risk of a material adjustment within one year should be distinguished from other estimates.

Further, sensitivities and the range of possible outcomes should be provided to allow users to understand the significant judgements and estimates.

# Appendix I

# FRC's areas of focus (cont.)

## Revenue

Disclosures should be specific and, for each material revenue stream, give details of the timing and basis of revenue recognition, and the methodology applied. Where this results in a significant judgement, this should be clear.

## Presentation

Disclosures should be consistent with information elsewhere in the annual report and cover company-specific material accounting policy information.

A thorough review should be performed for common non-compliance areas of IAS 1.

## Income taxes

Evidence supporting the recognition of deferred tax assets should be disclosed in sufficient detail and be consistent with information reported elsewhere in the annual report.

The effect of Pillar Two income taxes should be disclosed where applicable.

## Strategic report and Companies Act

The strategic report must be 'fair, balanced and comprehensive'. Including covering all aspects of performance, economic uncertainty and significant movements in the primary statements.

Companies should ensure they comply with all the statutory requirements for making distributions and repurchasing shares.

## Fair value measurement

Explanations of the valuation techniques and assumptions used should be clear and specific to the company.

Significant unobservable inputs should be quantified and the sensitivity of the fair value to reasonably possible changes in these inputs should provide meaningful information to readers.

## Thematic reviews

The FRC has issued three thematic reviews this year: 'Reporting by the UK's largest private companies' (see below), 'Offsetting in the financial statements', and 'IFRS 17 Insurance contracts –Disclosures in the first year of application'. The FRC have also performed Retail sector research (see below).

### UK's largest private companies

The quality of reporting by these entities was found to be mixed, particularly in explaining complex or judgemental matters. The FRC would expect a critical review of the draft annual report to consider:

- internal consistency
- whether the report as a whole is clear, concise, and understandable; notably with respect to the strategic report
- whether it omits immaterial information, or
- whether additional information is necessary for the users understanding particularly with respect to revenue, judgments and estimates and provisions

### Retail sector focus

Retail is a priority sector for the FRC and the research considered issues of particular relevance to the sector including:

- Impairment testing and the impact of online sales and related infrastructure
- Alternative performance measures including like for like (LFL) and adjusted e.g. pre-IFRS 16 measures
- Leased property and the disclosure of lease term judgements, particularly for expired leases.
- Supplier income arrangements and the clarity of accounting policies and significant judgements around measurement and presentation of these.

## 2024/25 review priorities

The FRC has indicated that its 2024/25 reviews will focus on the following sectors which are considered by the FRC to be higher risk by virtue of economic or other pressures:





[kpmg.com/uk](http://kpmg.com/uk)

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# **INTERNAL AUDIT PROGRESS REPORT**

**SOUTH KESTEVEN DISTRICT COUNCIL**

June 2025

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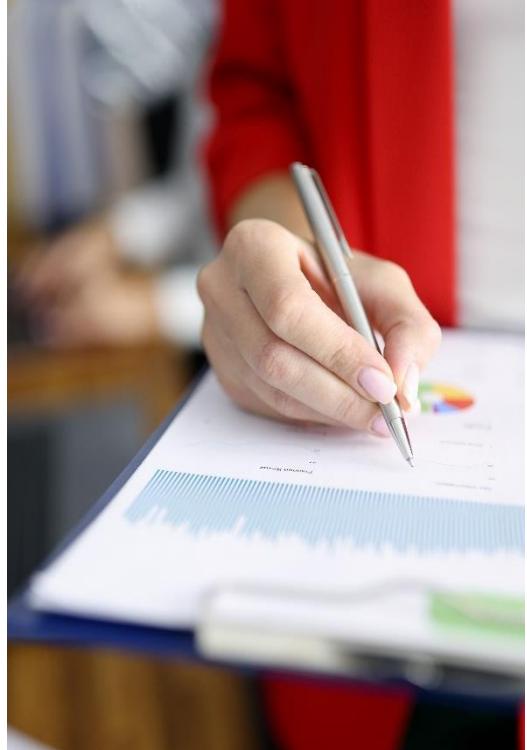
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# SUMMARY OF JUNE 2024/25 AND 2025/26 WORK

## INTERNAL AUDIT

This report is intended to inform the Governance and Audit Committee of progress made against the 2025/26 internal audit plan. It summarises the work we have done, together with our assessment of the systems reviewed and the recommendations we have raised. Our work complies with Public Sector Internal Audit Standards. As part of our audit approach, we have agreed terms of reference for each piece of work with the risk owner, identifying the headline and sub-risks, which have been covered as part of the assignment. This approach is designed to enable us to give assurance on the risk management and internal control processes in place to mitigate the risks identified.



## INTERNAL AUDIT METHODOLOGY

Our methodology is based on four assurance levels in respect of our overall conclusion as to the design and operational effectiveness of controls within the system reviewed. The assurance levels are set out in Appendix 1 of this report and are either 'Substantial', 'Moderate', 'Limited' or 'No'. The four assurance levels are designed to ensure that the opinion given does not gravitate to a 'satisfactory' or middle band grading. Under any system we are required to make a judgement when making our overall assessment.

## 2024/25 INTERNAL AUDIT PLAN

We have completed one outstanding review from the 2024/25 audit plan -the Data Protection and Freedom of Information (FOI) compliance audit which is included within this report.

The review was originally scheduled for completion in 2024/25 but required extended engagement with service leads to ensure appropriate resolution and agreement of the findings and management responses. The review has now been finalised and is included within this progress report for completeness and assurance continuity.

## 2025/26 INTERNAL AUDIT PLAN

We have made good progress in the delivery of the 2025/26 audit plan.

We have completed and are pleased to present the following final report to this Governance and Audit Committee meeting:

- ▶ Climate Plan.

Planning is underway for the majority of audits. We anticipate presenting the following report to the next Governance and Audit Committee in July 2025:

- ▶ Payroll Access.

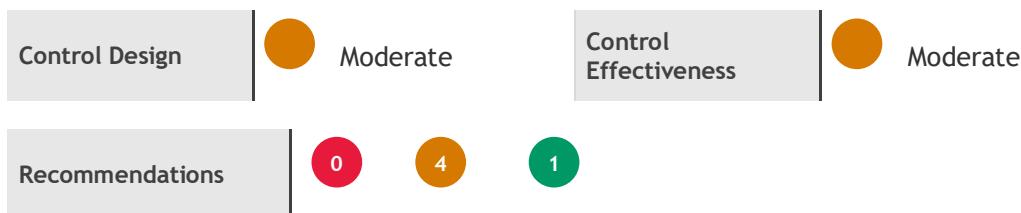
We anticipate presenting these final reports at the next Governance and Audit Committee meeting in July.

## REVIEW OF 2025 JUNE 2025/26 WORK

AUDIT	EXEC LEAD	GOVERNANCE AND AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Climate Plan	Director of Housing	June 2025	✓	✓	✓	S	M
Payroll Access	Assistant Director of Finance	July 2025	✓	✓	✓	TBC	TBC
Voids Management	Director of Housing	September 2025	✓				
Performance Management	Director of Housing	November 2025	✓				
Treasury Management	Assistant Director of Finance	January 2026	✓				
Building Control	Assistant Director of Planning	January 2026	✓				
IT Strategy	Deputy Chief Executive	January 2026	✓				
Accounts Payable	Assistant Director of Finance	January 2026	✓				
Market Services	Deputy Chief Executive	March 2026	✓				
Main Financial Systems	Assistant Director of Finance	March 2026	✓				

# DATA PROTECTION

## SRR REFERENCE: 1 - SUCCESSFUL/SERIOUS CYBER SECURITY ATTACK ON THE COUNCIL



### SCOPE

#### BACKGROUND

The management and use of personal information in the current environment has become increasingly important as both expectations for information governance and the service expected by customers have become more demanding.

In May 2018, the General Data Protection Regulation (the UK GDPR) replaced the Data Protection Act 1998 (the DPA) as the regulation governing the protection of personally identifiable information in the UK. As a data controller, South Kesteven District Council ("the Council") is responsible for ensuring that it complies with the UK GDPR and that any third parties that process information on its behalf are also compliant with the UK GDPR.

The penalties for being in breach of the UK GDPR are greater than those that could be levied under the DPA. This regulation places greater responsibilities on data controllers whilst at the same time increasing the power of the Information Commissioner's Office (ICO, the UK Regulator) to levy fines of up to £17.5 million or 4% of an organisation's global revenue (whichever figure is higher). Personal data breaches must be reported to the ICO within 72 hours of the Council becoming aware of the breach if that breach is deemed to have a high risk to the fundamental rights and freedoms of the affected individuals.

#### PURPOSE

The purpose of the audit was to assess the Council's compliance against key parts of UK GDPR, including training and awareness, governance structures to include roles and responsibilities, data breach management process, data protection impact assessment process and ensuring that there was a robust and embedded data protection policy and procedure environment that supports the Council in adhering to existing data protection regulation.

#### AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ Assess whether there is a governance framework in place to support compliance with data protection responsibilities, including defined, approved and up to date policies and procedures.
- ▶ Determine whether roles and responsibilities with regards to data protection are defined and whether there is a training programme in place for data protection and information management for staff which is regularly refreshed.
- ▶ Assess whether the Council has a Record of Processing Activities (RoPA) in place and that this is regularly reviewed and updated and captures appropriate information.
- ▶ Assess whether the Council has defined retention periods in place for held information and that this is adhered to.
- ▶ Determine whether the Council has defined the lawful basis for collecting, processing, retaining, and sharing information and assess whether this is transparent to data

subjects using tools such as privacy notices. For special category data, assess whether the reasons for processing are appropriate and in line with the original purpose of the processing activity.

- ▶ Assess whether there is regular monitoring of the Council's compliance with data protection legislation and regulations by senior management, including the identification, assessment, and remediation of identified risks.
- ▶ Assess whether there are procedures in place to deal with data subject rights requests, including Subject Access Requests (SARs) under the UK GDPR, Freedom of Information requests (FOIs) under the Freedom of Information Act 2000, Environmental Information Regulations requests (EIRs) and the exercising of rights by individuals. Determine the extent to which these requirements are complied with, responded to, monitored, and reported on.
- ▶ Assess whether adequate and effective data breach response procedures are in place.
- ▶ Assess whether there are adequate procedures in place for performing Data Privacy Impact Assessments (DPIAs) for the processing of data which is likely to present a high risk to the rights and freedoms of individuals.
- ▶ Where the Council shares personal data as part of its relationships with third parties, determine whether the risks posed by these relationships have been assessed and whether data sharing agreements have been implemented to mitigate these risks.



#### AREAS OF STRENGTH

During our review, we identified the following areas of good practice:

- ▶ There is a dedicated Data Protection Officer (DPO) in place, who has clearly defined responsibilities in line with the requirements of the UK GDPR and regularly reports to Senior Management. The DPO is supported by a Data and Information Governance Officer, who is also responsible for managing the Council's compliance with data subject rights requests, including SARs.
- ▶ We reviewed a sample of five SARs to determine whether the Council has complied with the requirements of the UK GDPR. For one sample, we noted that the request was paused following a request for appropriate identification from the data subject. Although an initial request for identification was issued on 16 October and a further request was issued on 23 October, it was confirmed that no response was received from the data subject - as formal identification was never received, the request was closed. Of the remaining four data subject requests sampled; we confirmed that these were resolved in a timely manner.
- ▶ The Council has conducted an internal analysis and benchmarked their performance in responding to FOI requests and SARs against 11 other local authorities between January and July 2024, including North Kesteven and South Holland, two local authorities which the Council works with as part of the Lincolnshire Resilience Forum. We noted that although the Council achieved an FOI response rate within the statutory timelines of 96.45%, this was due to receiving 479 requests, 87 more than North Kesteven and 100 more than South Holland. The Council has also achieved a 100% compliance rate with 16 SARs in the same period. Any overdue response reasons for FOI requests are also collated with the most common reason for delays cited as due to delayed response from the required business unit.
- ▶ The Council has a defined Data Protection Policy in place, which was last reviewed in August 2024. This sets out the Council's approach towards complying with the

requirements of the UK GDPR, including a defined set of responsibilities that the Council must follow with regards to data processing and data protection.

- ▶ In addition to reporting to Senior Management on how the Council is complying with data protection legislation, the Council also has two dedicated groups to oversee how the Council is performing on UK GDPR compliance. The Access to Information Working Group is responsible for overseeing the response times for FOI and other data subject rights requests while the Corporate Information Governance Group oversees policy updates and reviewing training compliance and breach responses.
- ▶ The Council has a documented process in place for reporting a data breach in line with its Data Protection Policy, which requires that any suspected breaches are initially reported to the DPO. A breach log is also in place to record all breaches, which includes those that have been internally reported only (with no further action noted) and those which have been deemed significant enough to report to the ICO. The log has recorded 130 internal incidents and breaches since 2019 of which 30 internal incidents have been recorded in 2024. Our review of the most recently confirmed data protection breach in November 2023 (that was reported to the ICO), involved Gatherwell and London and Zurich (who deal with the Council's community lottery and direct debit payment portals). It was confirmed that this was appropriately reported to the ICO within 72 hours of being informed of the breach on the advice of Gatherwell (who notified the Council of the breach) and following an individual risk assessment conducted by the Council. due to the Council's data being affected, despite not being directly subject to the breach. The reporting of this type of breach scenario shows that the Council are demonstrating good practice with reporting data breaches. We have also assessed two internally reported incidents, relating to disclosure errors by Council employees, which were found to have been appropriately responded to with remedial action being taken.

Areas of Concern	Finding	Recommendation and Management Response
	The Council's overarching RoPA lacks sufficient detail to allow for an accurate oversight of data processing activities, (Finding 1 - Medium).	<p>A. Management, in conjunction with each business unit or department, should carry out a full and comprehensive review of all the Council's processing activities contained on the central RoPA to ensure that these are consistent, complete, and up to date and that they capture, as a minimum, the information identified as missing by this review. This should be an ongoing exercise and there should be arrangements for each RoPA update to be fully reviewed and approved by Senior Management on at least an annual basis to ensure that it remains current and appropriate.</p> <p>B. As part of the RoPA review, the Council should also review existing privacy notices and in the case of any changes to data processing activities, the Council should ensure privacy notices are adequately revised to</p>

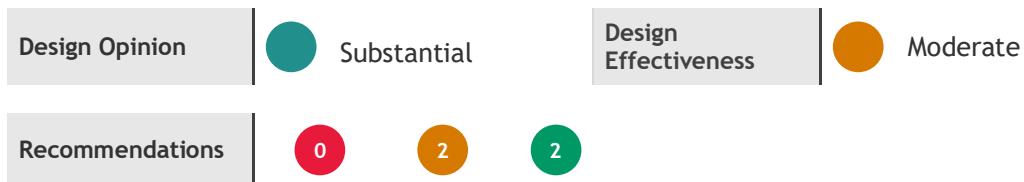
	<p>ensure transparency with data subjects.</p> <p><u>Management Response</u></p> <p>A. The RoPA is currently being reviewed centrally, meetings are being organised to review the RoPA for each service area to ensure full completion. Officers have been identified, and training is being organised to upskill officers to enable them to take ownership of the data protection requirements for their own areas. Regular meetings and reviews will be scheduled with data champions to ensure that the RoPA stays up to date and relevant.</p> <p>B. Plans are in place to review all privacy notices once the RoPA has been completed. Service area specific notices will be created and published for all areas across the Council.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Data Protection Officer</p> <p>31 January 2026</p> <p>31 January 2026</p>	
	<p>Of the three DPIAs that were completed in 2024, the Business Database for Businesses DPIA has several sections that are incomplete. In addition to this there are several gaps highlighted in the Councils RoPA in respect of where the processing of sensitive or special category personal data is happening, however there is no corresponding DPIA that has been completed (Finding 2 - Medium).</p>	<p>A. Management should revise the Business Database for Businesses DPIA and ensure that it records the information identified as missing as part of this review and is adequately signed off by the individual with data protection compliance responsibility.</p> <p>B. As part of the review of the Councils. RoPA, management should ensure that any high-risk data processing activities (which pose a significant risk to the rights and freedoms of data subjects) are clearly identified within the RoPA and have an associated DPIA completed and adequately approved in line with existing Council policy.</p> <p><u>Management Response</u></p> <p>A. The Business database DPIA was a live document, it has since been reviewed and is now fully completed.</p> <p>B. Work has been centrally planned to undertake retrospective DPIA's for high-risk areas. This will be completed once managers have been trained and the RoPA has been completed.</p>

		<p><u>Responsible Officer and Implementation date</u></p> <p>Data Protection Officer</p> <p>31 December 2025</p> <p>31 December 2025</p> <p>Although the Council's retention schedule has been recently reviewed, there are several gaps in the RoPA which do not show whether this is being applied in practice leaving concerns with the level of completeness of the information included within the existing retention schedule (Finding 3 - Medium).</p> <p>Management should review the Council's retention schedules and ensure that these are complete, accurate, up-to-date and include all necessary and appropriate information. The retention schedules should be subject to review on a regular basis. This should be completed and kept up to date in line with a full RoPA review as documented per Finding1.</p> <p><u>Management Response</u></p> <p>The retention schedule was reviewed last year alongside the Information Asset register and the RoPA. A data matching exercise will be undertaken once the RoPA has been completed and centralised annual reviews will be conducted with data champions.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Data Protection Officer</p> <p>30 September 2025</p> <p>30 September 2025</p> <p>Although the Council has a separate Information Sharing Agreement Register, this does not currently correlate with the information currently recorded in the RoPA which results in concerns around the completeness of both documents and the overall visibility that the Council has on all data sharing exposures (Finding 4 - Medium).</p> <p>A. For all third-party data transfers, the Council should ensure that these are being appropriately recorded within the central RoPA and any other applicable documentation, for example the information sharing agreement register, and that appropriate safeguards, such as Data Sharing Agreements, are in place and include the relevant clauses in line with Article 28 of the UK GDPR and any applicable safeguards in the scenario information is being shared outside of the UK.</p> <p>B. Arrangements should be made to ensure that the information sharing agreement register is subject to review on a regular basis alongside a regular review of an up-to-date RoPA document.</p> <p><u>Management Response</u></p> <p>A. A data matching exercise has been planned to analyse any gaps after the RoPA has been completed. Further training for managers will be</p>

		<p>organised to ensure that they are aware of when a data sharing agreement is required.</p> <p>B. This will be planned in with the reviews of the RoPA.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Data Protection Officer</p> <p>31 December 2025</p> <p>31 December 2025</p>
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# CLIMATE PLAN

SRR REFERENCE: 11 - NOT SUFFICIENTLY ENGAGING WITH AND RESPONDING TO CLIMATE CHANGE



## SCOPE

### BACKGROUND

- ▶ Over three-quarters of local authorities in the UK have now declared a climate emergency. There is a role for local government to shape, drive, and deliver local action on climate change. South Kesteven District Council (the Council) made a formal declaration of climate emergency in September 2019 with cross party support. Alongside this, the Council confirmed the ambition to reduce the organisation's carbon footprint by at least 30% by 2030, with a target to be a Net Zero District by 2050.
- ▶ Climate planning and reducing carbon emissions is a key objective of the Council. Following its declaration of a climate emergency, the Council's updated carbon footprint was established as a baseline from which to measure progress and prioritise reduction initiatives, using baseline data from 2018/19. This showed some of the major categories (electricity usage in Council buildings, leisure centres and vehicle fleet) of carbon emissions arising from its operations and highlighted projects that could be pursued to reduce carbon emissions.
- ▶ The Council has continued publishing updates on progress towards the outlined carbon emissions target from its baseline year onwards, with regular reports to the Environment Overview and Scrutiny Committee.
- ▶ Annually the Council provides an update on its carbon emissions, through a carbon dashboard which provides a full scope of its emissions data against its baseline year.
- ▶ The Climate Change Act 2008, mandates that the UK Government reports its greenhouse gas (GHG) emissions to Parliament annually. To monitor and manage the Council's carbon footprint, it publishes an annual update on reported carbon emissions.
- ▶ In 2023/24 the Council built a Climate Change Reserve of £300,000 to respond to the budgetary pressures driven by the increasing cost of energy, and its ambition of carbon reduction across its property portfolio and assets.
- ▶ Following an extensive consultation exercise and engagements, Cabinet endorsed and published its first Climate Action Strategy in November 2023, setting out its aspirations to reduce carbon emissions within the district in eight key themes. Each of these themes will have supporting Climate Action Plans to help support the delivery of the Strategy.

### PURPOSE

- ▶ The purpose of the audit was to provide a review of the Climate Change Reserve to determine how the funds allocated were specifically spent and

provide assurance over its adequacy to meet the Council's 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.

#### AREAS REVIEWED

The following areas were covered as part of this review:

- ▶ The Council's Climate Action Strategies which support the Council's net zero carbon targets and assess whether these are sufficiently robust, have been approved at the appropriate level and are accessible to staff across the Council.
- ▶ The Council's Carbon Footprint and Reduction Opportunities documents outlining the Council's monitoring and governance process including how projects were approved, prioritised, and monitored.
- ▶ Examined five projects funded from the Climate Change Reserve and assessed whether funds were used in line with stated purpose and whether outcomes were tracked.
- ▶ The carbon emissions data, and year-on-year progress since baseline and assessed whether funded projects have demonstrable impact on operational carbon emissions and if results are actively monitored.
- ▶ Examined progress against target and where already achieved, assessed improvement plans (eg increase in carbon reduction target) that have been identified.
- ▶ The current version of the Climate Action Plan, to assess status of each action, and any RAG-rated tracking or escalation mechanisms.
- ▶ Enquired whether officers and members have received climate training and whether there is evidence of climate being considered in key Council decisions.
- ▶ Regularity of reporting on the Council Carbon Reduction Plans, identification of measurable performance targets and regular monitoring of these through the Environment and Overview Scrutiny Committee.
- ▶ February 2025 Cabinet papers to understand if climate impact is considered and incorporated into committee reports, procurements and capital project decisions as well as Climate and Sustainability reports to the Environment Overview and Scrutiny Committee from December 2024 to March 2025.
- ▶ Reviewed five funded project climate proposals and decision records to assess whether projects remained within the original funding scope and received appropriate approval for any changes.

We interviewed the following officers:

- ▶ The Sustainability and Climate Change Manager who is involved in climate impact key decisions within the Council to understand the depth of scrutiny, challenge and oversight of climate related plans and delivery.
- ▶ The Head of Corporate Projects, Performance, and Climate Change to understand whether there has been identify instances of project scope creep and whether there is a process to scrutinise proposals that fall outside agreed priorities with approvals documented.



## AREAS OF STRENGTH

The following areas of good practice were identified:

- ▶ The Council has established a robust strategic and operational framework to address climate change. Notably, the Climate Action Strategy approved by the Cabinet in November 2023, provides a comprehensive policy structure with clearly defined actions aligned to the Council's net-zero carbon ambitions. This strategy includes the wider leadership role that the Council has in our communities, not just the assets within the council's ownership.
- ▶ The Council's use of the Climate Reserve is well-controlled, with proposals for funding supported by a structured and detailed workbook outlining project scope, carbon impact, estimated savings, and alignment with strategic objectives. Review of five proposals tested confirmed that:
  - Projects were aligned with approved committee purposes and appropriately tracked.
  - Supporting evidence and data were reviewed before funding approval to ensure optimal solutions were selected.
  - Project funding has received appropriate approvals from the Deputy Chief Executive and S151 Officer in accordance with the Council's Financial Regulations.
- ▶ The Council is actively enhancing staff understanding of climate change and empowering employees to contribute to carbon reduction efforts through the Sustainable Futures digital learning course, which is accessible to staff.
- ▶ The Council has put together a dedicated section on climate change on its website, titled 'Climate Change roadmap for South Kesteven' so that residents can be informed and supported and in doing so understand the impact their footprint has on the district, encouraging a reduction in scope 3 emissions. It has also published a yearly Council Carbon Dashboard since 2019 providing update on its carbon emissions data.
- ▶ The Council has also made several decisions to reduce carbon emissions outside of the climate reserve funding, including the allocation of funding of £1 million to accelerate the replacement of Council-operated streetlights with LED energy-efficient lamps in September 2023. A separate £4 million project to upgrade the existing heating system of the Council's largest leisure centre with low-carbon heating will significantly reduce reported carbon emissions.
- ▶ The Council actively tracks its performance on carbon reduction targets, with published 2024/24 Carbon dashboard showing an overall 25.27% reduction in emission compared to baseline data with the largest reduction of 45% achieved in electricity-related emissions in Council buildings, demonstrating transparency and accountability.
- ▶ We reviewed the Council's Corporate Plan 2024-27 and confirmed it aligns with the Council's Climate Action Strategy aligns with its 2024-27 Corporate Plan, as the Plan embeds climate objectives within the Council's strategic framework, outlining key initiatives, such as:

	<ul style="list-style-type: none"> <li>• Ambition to reach net zero by 2041, through identified improvements in energy efficiency across the estate.</li> <li>• Investing in low carbon infrastructure such as LED streetlighting and solar Photo Voltaic systems.</li> </ul> <p>‣ Governance arrangements are well embedded within the Council decisions, as climate priorities are embedded in the Corporate Plan 2024-27 and overseen through Environment Overview and Scrutiny Committee (EOSC) meetings, held bi-monthly. The EOSC reports for period covering December 2024 - March 2025 demonstrates reporting and integration of climate considerations into decision-making processes reflecting a proactive and well-coordinated approach to achieving long-term sustainability targets.</p>
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AREAS OF CONCERN	<b>Finding</b> <p>No improvement identified regarding carbon emission reduction in fleet management from the baseline in the past five years. (Finding 2 - Medium).</p>	<b>Recommendation and Management Response</b> <p>A. The Head of Corporate Projects, Performance, and Climate Change should prioritise the implementation of its Green Fleet Strategy by developing a time-bound implementation plan with clearly assigned action owners, deadlines, and measurable success indicators to support delivery and accountability. The Sustainability and Climate Change Manager should improve the action plans by clearly assigning action owners for each task to ensure these follows the SMART strategy.</p> <p><u>Management Response</u></p> <p>The Green Fleet Strategy has been approved by Cabinet and sets out how the Council's fleet will move towards embracing green technology where available and cost effective. The recommendation will be taken forward with the Head of Waste Management in order to prioritise the implementation of a plan in conjunction with the Sustainability and Climate Change Manager with clearly assigned actions. This plan should then be embedded into the work programme of the EOSC to ensure that the progress is monitored.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Head of Waste Management and Markets</p> <p>30 November 2025</p>
	<p>The Council does not currently hold a Climate Action Plan in order to accomplish actions in-line with the Climate Action Strategy. (Finding 3 - Medium).</p>	<p>A. Council to finalise and approve the Climate Action Plan at the earliest opportunity, ensuring it translates each of the eight strategic themes into SMART actions with clear timelines and accountable officers.</p> <p>B. The Sustainability and Climate Change Manager should incorporate a RAG (Red,</p>

		<p>Amber, Green)-rated tracking and escalation mechanism within the Plan to support regular performance reporting, enable early identification of delivery risks, and inform climate governance decisions.</p> <p><b><u>Management Response</u></b></p> <p>The drafting of the Climate Action Plan has already been identified and added to the forward plan for the November 2025 EOSC meeting. The Sustainability and Climate Manager is responsible for drafting this document which will shape and monitor the success of the Climate Action Strategy.</p> <p><b><u>Responsible Officer and Implementation date</u></b></p> <p>Sustainability and Climate Manager</p> <p>30 November 2025</p>
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 ADDED VALUE	<ul style="list-style-type: none"> <li>▶ As part of our review, we provide here the Council with a case study on the use of Climate Impact Assessments (CIAs).</li> <li>▶ <a href="https://www.local.gov.uk/case-studies/cheltenham-borough-council-climate-impact-assessment-tool">https://www.local.gov.uk/case-studies/cheltenham-borough-council-climate-impact-assessment-tool</a></li> <li>▶ This is based on good practice observed at other local authorities. This example is intended to support the Council in developing its own structured CIA framework and to assist with embedding climate considerations consistently across decision-making in procurement, policy development and project governance.</li> </ul>
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 CONCLUSION	<p>We conclude that the Council have a Moderate design and effectiveness of control to meet its target of a 30% reduction in carbon emissions by 2030.</p> <p><b><u>Control Design</u></b></p> <p>The control design is Substantial because the Council generally has a sound system of internal controls designed to support the delivery of its climate objectives.</p> <p><b><u>Control Effectiveness</u></b></p> <p>The control effectiveness was Moderate because while many processes are operating as intended and the Council has made measurable progress toward its carbon reduction target (reporting a 25.27% reduction against its 2018/19 baseline), there were some areas of non-compliance and control weakness that may impact the achievement of strategic outcomes if not addressed:</p> <ul style="list-style-type: none"> <li>▶ The action plan in the new Green Fleet Strategy lacks clear ownership and deadlines for individual actions. With no defined governance or monitoring structure to regularly review implementation progress.</li> <li>▶ Although the Climate Action Strategy was approved in 2024, an accompanying delivery action plan to track progress has not yet been implemented. The action plan is in development, as it was still in draft at the time of our review.</li> </ul>
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# SECTOR UPDATE

Our quarterly Local Government briefing summarises recent publications and emerging issues relevant to local authority providers that may be of interest to your organisation. It is intended to provide a snapshot of current issues for Senior management and Members.

<b>SECTOR UPDATE</b>
<b>PROCUREMENT</b>
<b>TRANSFORMING PUBLIC PROCUREMENT: PROCUREMENT ACT 2023 - SECONDARY LEGISLATION AND GO-LIVE</b>
<p>On Monday 9 December, the Procurement Act 2023 (Consequential and Other Amendments) Regulations 2025 were laid in Parliament. These regulations primarily make technical amendments to references to the existing procurement regulations in other legislation. The Act went live on 24 February 2025.</p> <p><b>The Procurement Act 2023 (Consequential and Other Amendments) Regulations 2025</b>  <b>Public Procurement Reform - Hansard - UK Parliament</b></p>
<b>FOR INFORMATION: GOVERNANCE &amp; AUDIT COMMITTEE AND THE SENIOR LEADERSHIP TEAM</b>
<b>FINANCIAL SETTLEMENTS</b>
<b>LGA STATEMENT ON PROVISIONAL LOCAL GOVERNMENT FINANCE SETTLEMENT</b>
<p>The local government finance settlement is the annual determination of funding to local government from central government. This briefing covers the provisional local government finance settlement for 2025/26 which was announced on 18 December 2024. We expect the final 2025/26 settlement to be laid before the House of Commons, for its approval, in late January or early February 2025.</p> <p>The <b>Governments figures</b> indicate that total Core Spending Power will rise by 6.0 per cent in 2025/26. Core Spending Power consists of:</p> <ul style="list-style-type: none"> <li>▶ Settlement Funding Assessment (which consists of Revenue Support Grant, and the baseline funding level).</li> <li>▶ Income from council tax assuming that the tax base grows, and Councils increase council tax by the maximum possible allowable under council tax referendum principles.</li> <li>▶ Compensation for under-indexing the business rates multiplier.</li> <li>▶ Social Care Grant.</li> <li>▶ Local Authority Better Care Grant.</li> <li>▶ Adult Social Care Market Sustainability and Improvement Fund.</li> <li>▶ Children's Social Care Prevention Grant.</li> <li>▶ New Homes Bonus.</li> <li>▶ Recovery Grant.</li> <li>▶ Domestic Abuse Safe Accommodation Grant will be consolidated as a new, separate line in the settlement, maintaining its existing distribution.</li> <li>▶ A funding floor, to ensure that no local authority sees a reduction in their Core Spending Power in 2025/26, after accounting for council tax levels.</li> </ul> <p>Core Spending Power does not include the £515 million funding for National Insurance or a £13 million uplift to the Children's Social Care Prevention Grant.</p> <p>The Government has held back some grant funding as a contingency. The Government will make clear how this contingency funding will be allocated at the final settlement. Detailed Core Spending Power figures are included in Annex A.</p> <p><b><u>Employer National Insurance Contributions</u></b></p> <p>The Government has announced that:</p> <ul style="list-style-type: none"> <li>▶ £515 million of new funding will be provided to support Councils with the costs associated with the increase in employer National Insurance Contributions (NICs). Individual allocations will be based on</li> </ul>

2023/24 Revenue Outturn data and published at the final settlement. A methodology note has been published as part of the provisional settlement.

- ▶ The £515 million in new funding for NICs has not been included in Core Spending Power. The Government has said this funding will be reflected in Core Spending Power figures at the final settlement.

#### Council tax

The Government has announced the following referendum principles for 2025/26:

- ▶ A core referendum principle of up to 3 per cent will apply to shire County Councils, shire unitary authorities, metropolitan districts and London boroughs.
- ▶ Shire districts will have a referendum principle of up to 3 per cent or £5, whichever is higher.
- ▶ Social care authorities will be able to set a 2 per cent adult social care precept without a referendum (in addition to the existing basic referendum threshold referred to above).
- ▶ Fire and Rescue Authorities will have a principle of £5.
- ▶ £14 for police authorities and police and crime commissioners (PCCs) including the PCC component of the Greater Manchester, West Yorkshire and York and North Yorkshire Combined Authorities' precepts.
- ▶ The non-police element of the Greater London Authority (GLA) will have a referendum principle of 3 per cent.
- ▶ There will be no referendum principles for mayoral combined authorities (MCAs) except where the Mayor exercises police and crime commissioner functions. In these cases, the PCC principle will apply. There are no referendum principles for parish and town Councils.

The Government has announced that where a Council in need of exceptional financial support views additional council tax increases as critical to maintaining their financial sustainability, the Government will continue to consider requests for bespoke referendum principles. Local proposals will be considered on a case-by-case basis.

The Government expects that additional increases would only be agreed in exceptional circumstances, and following careful consideration of a Councils' specific circumstances, such as their existing levels of council tax relative to the average, the potential impact on local taxpayers, and the strength of plans to protect vulnerable people.

[Provisional Local Government Finance Settlement 2025/26: On-the-day factual briefing | Local Government Association](#)

#### **FOR INFORMATION: GOVERNANCE & AUDIT COMMITTEE AND THE SENIOR LEADERSHIP TEAM**

#### **PLANNING POLICY AND DEVELOPMENT**

#### **LGA RESPONDS TO CHANGES TO NATIONAL PLANNING POLICY FRAMEWORK**

The Ministry for Housing, Communities and Local Government (MHCLG) published its revised [National Planning Policy Framework \(NPPF\)](#) on 12 December 2024.

Alongside the revised NPPF, additional documents have also been published and can be found [here](#). These include:

- ▶ Government response to the proposed reforms to the National Planning Policy Framework and other changes to the planning system consultation
- ▶ Indicative local housing need (December 2024 - new standard method)
- ▶ Updated Planning Practice Guidance (PPG).

Key reforms to the planning system or National Planning Policy Framework (this is not an exhaustive list):

- ▶ Reintroduction of Mandatory Housing Targets

The Government intend to make the changes set out in the consultation, reversing the changes made in December 2023 to what was previously paragraph 61 regarding the word 'advisory' and removing the reference to the exceptional circumstances in which the use of alternative approaches to assess housing need may be appropriate. Revised planning practice guidance on assessing housing needs and additional guidance on setting a housing requirement have been published.

- ▶ Restoration of Five-Year Housing Land Supply Rules

The Government confirmed that local planning authorities are again required to demonstrate a five-year housing land supply. There are many authorities whose local housing need figures will be substantially larger than their adopted or emerging local plan housing requirement figures, and to help close the gap, Government are introducing a new requirement that authorities with plans adopted under the old standard method must provide an extra year's worth of homes in their 5-year housing pipeline.

► **A new Standard Method**

The Government will take forward the proposals to introduce a new standard method that uses housing stock to set a baseline figure. The method will use 0.8% of existing stock as the baseline. As noted in the consultation, over the last 10 years housing stock has grown nationally by around 0.89%. Setting a baseline of 0.8% provides a consistent base for growth, which is then increased to reflect housing affordability pressures, setting ambitious expectations across the country while directing housing to where it is most needed.

► **Localisation of planning fees**

The government have announced their intention to take forward measures in the proposed Planning and Infrastructure Bill to introduce a power for local planning authorities to be able to set their own fees. As part of these proposals, it will conduct a comprehensive review of all national fees to establish a robust baseline for full cost recovery of fees and to inform a national default fee. The government intends to pursue a model that would enable local variation from a national default fee. In varying or setting their own fees, local authorities will not be able to set fees above costs.

► **Funding to support local authorities**

The Government has announced funding to support local plan delivery which will provide a direct financial contribution to local authorities that are at an advanced stage of the local plan making process (Regulation 19 stage), and that will need to revise their draft plans to accommodate the increase in their Local Housing Need figures as a result of changes in the revised NPPF. Local authorities that meet the eligibility criteria will be able to submit an Expression of Interest (EoI) to receive a share of this funding.

**Revisions to the National Planning Policy Framework (NPPF) and other announcements on planning reform**  
| Local Government Association

**FOR INFORMATION: GOVERNANCE & AUDIT COMMITTEE AND THE SENIOR LEADERSHIP TEAM**

**HOUSING, PLANNING AND HOMELESSNESS**

Local government shares the collective national ambition to tackle their local housing crisis, which will only be achieved with strong national and local leadership working together. As house builders, housing enablers, and landlords; as planners, place-shapers, and agents of growth, transport and infrastructure; as responsible guardians to the vulnerable and the homeless; and as democratically accountable to communities - local government is at the heart of the housing solution.

- Council Housing Revenue Accounts (HRAs) are under severe financial strain. Owing to significant expenditure pressures councils' have not been able to reduce their operating spend in line with the fall in their income. As a consequence, debt servicing costs now account for a growing share of HRA 'surpluses' where they still exist. An increasing number of councils have had to address end of year deficits by drawing on their dwindling reserves. At the same time, councils' ability to supplement their HRA capital programmes from their revenue resources has been severely curtailed.
- We support the principle of a multi-year rent policy to give registered providers, lenders and investors more confidence to commit the investment needed for both existing and new social homes.
- To really strengthen and provide stability to Housing Revenue Accounts (HRAs), a minimum 10-year rent settlement is needed, alongside restoration of the lost revenue due to the rent cap in 2023/24, new burdens funding for new responsibilities and a review of the self-financing settlement of 2012.
- Council Housing Revenue Account's need CPI+1 per cent for 10 years as an absolute minimum, but this will still result in a national Housing Revenue Account deficit and is highly unlikely to support an uptick in new build.
- The LGA therefore strongly advocates for the reintroduction of convergence of rents to formula rents. This should be in addition to CPI+1 per cent for a minimum of 10 years.

- ▶ Rent convergence at either an additional £2 or £3 week delivers cumulative surpluses of up to £1.0 billion by 2036/37, potentially enabling all existing stock pressures to be addressed with some capacity for additional development.

**LGA submission to MHCLG's consultation on future social housing rent policy | Local Government Association**

**FOR INFORMATION: AUDIT COMMITTEE AND THE SENIOR LEADERSHIP TEAM**

**LOCAL GOVERNMENT REFORM**

**ENGLISH DEVOLUTION WHITE PAPER**

On 16 December 2024, the Government published the English Devolution White Paper to widen devolution across the country by introducing Strategic Authorities. This forms part of its local government reorganisation.

The Government has announced that it will legislate for the concept of Strategic Authorities. Each Strategic Authority will belong to one of the following:

- ▶ Foundation Strategic Authorities: these include non-mayoral combined authorities and combined county authorities automatically, and any local authority designated as a Strategic Authority without a Mayor.
- ▶ Mayoral Strategic Authorities: the Greater London Authority, all Mayoral Combined Authorities and all Mayoral Combined County Authorities will automatically begin as Mayoral Strategic Authorities.

This includes the East Midlands Combined Authority. The proposals would reduce the number of local authorities by creating unitary authorities across larger geographical areas.

It was announced on 16 January 2025 that leaders of all nine councils across Nottinghamshire and Nottingham have agreed to work together on a response to the Government's invitation for local government reorganisation. Detailed testing of options is being undertaken by a team across all nine authorities with initial responses set to be announced in March 2025.

The Local Government Minister said on 22 January 2025 "There is a requirement that we bring to an end the two-tier system and councils will be required to reorganise".

**English Devolution White Paper: Ministry of Housing, Communities and Local Government**

**FOR INFORMATION: GOVERNANCE & AUDIT COMMITTEE AND THE SENIOR LEADERSHIP TEAM**

## KEY PERFORMANCE INDICATORS

QUALITY ASSURANCE	KPI	RAG RATING
The auditor attends the necessary meetings as agreed between the parties at the start of the contract	All meetings attended including Governance and Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews have been attended by either the Partner or Audit Manager.	G
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO were found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	G
DELIVERY	KPI	RAG RATING
Completion of audit plan	More than 75% of the Plan is completed and the remaining either at fieldwork or reporting stage, representing significant progress and likelihood of full completion of the plan by March 2025.	G

# APPENDIX I

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
Substantial	Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate	In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed albeit with some that are not fully effective.	Generally, a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of non-compliance with some controls, that may put some of the system objectives at risk.
Limited	A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No	For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

## RECOMMENDATION SIGNIFICANCE DEFINITION

RECOMMENDATION SIGNIFICANCE	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

**FOR MORE INFORMATION:**

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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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**SOUTH KESTEVEN DISTRICT COUNCIL****INTERNAL AUDIT ANNUAL REPORT  
AND ANNUAL STATEMENT OF ASSURANCE -DRAFT****2024/25**

IDEAS | PEOPLE | TRUST

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# EXECUTIVE SUMMARY

## Internal Audit 2024/25

This report details the work undertaken by internal audit for South Kesteven District Council ('the Council') and provides an overview of the effectiveness of the controls in place for the full year. The following reports have been issued for this financial year:

- ▶ Staffing Capacity and Capability
- ▶ Social Housing Decarbonisation Fund
- ▶ Arts Council Grant Review (3<sup>rd</sup> Party Assurance)
- ▶ Homelessness
- ▶ Business Continuity and Disaster Recovery
- ▶ Income generation
- ▶ Council Tax and NNDR
- ▶ Data Protection and FOI, EIR and SAR

We have detailed the opinions of each report and key findings on pages 3 to 8. Our internal audit work for the period 1 April 2024 to 31 March 2025 was carried out in accordance with the internal audit plan approved by management and the Governance and Audit Committee. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the management systems reviewed. There were no restrictions placed upon the scope of our audits and our work complied with Public Sector Internal Audit Standards.

### Head of Internal Audit Opinion

The role of internal audit is to provide an opinion to the Council, through the Governance and Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period. The basis for forming our opinion is as follows:

- ▶ An assessment of the design and operation of the underpinning Strategic Risk Register and supporting processes
- ▶ An assessment of the range of individual opinions arising from risk-based audit assignments contained within internal audit risk-based plans that have been reported throughout the year; this assessment has taken account of the relative materiality of these areas and management's progress in respect of addressing control weaknesses
- ▶ Any reliance that is being placed upon third party assurance.

Overall, we provide **Moderate** Assurance that there is a sound system of internal controls, designed to meet the Council's objectives, and that controls are being applied consistently across various services.

In forming our view, we have taken into account that:

- ▶ We completed a total of eight reviews (seven assurance audits and one advisory review).
- ▶ The advisory review related to the Arts Council Grant Review and did not carry an opinion.
- ▶ The seven assurance audits are summarised in the table below.

Opinions					
	Substantial	Moderate	Limited		Total
Design Control	2	5	0		7
Operational Effectiveness	1	6	0		7
Number of Recommendations					
	Low	Medium	High		Total
	10	18	0		28

- ▶ As this represents the first year of our audit engagement with the Council, this report establishes the baseline for future year-over-year performance comparisons. Subsequent annual reports will include comparative analyses against metrics established in this initial period.
- ▶ The Council has performed reasonably in implementing our audit recommendations within the specified timeframes. As at the end of May 2025, there are eight recommendations in progress and no recommendations are overdue.
- ▶ It should be noted that we have not completed a review of financial systems for the Council in our first year. This is due to a new financial system being implemented and therefore we cannot provide assurance over these controls. However, we will be reviewing this area in 2025-26 and at this point we can still provide an Opinion for 2024-25 - this is informed via our discussions with management, external audit, and review of public papers - the intelligence is not citing any material concerns for the financial controls at the Council.



# REVIEW OF 2024/25 WORK

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Staffing Capacity and Capability	-	-	3	Moderate	Substantial	<p>The purpose of this review was to analyse the Council's workforce planning and succession planning arrangements including review of strategies in place, the appraisal process, training and career progression pathways.</p> <p><u>Conclusion</u></p> <p>The control design was deemed moderate due to some control gaps such as staff networks and forums lacking governance arrangements, limiting their effectiveness and gaps within the succession plan. Despite this there was good practise in terms of the alignment between the workforce plan and the people strategy pricing clear progression pathways for all levels.</p> <p>The control effectiveness was substantial due to good practise noted within the regular business partnership meetings to evaluate learning and development, implementation of forums to share learning and detailed training needs analysis.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> <li>▶ Three roles in the Council's succession plan for business-critical roles had some information which was not complete, such as successors and emergency cover, and development needs have not been identified in some roles.</li> <li>▶ There are good recruitment pathways, however, the Council should continue to explore degree apprenticeships. The Council should also explore reviewing exit interview data on apprentices and whether this data provides different results vs. the wider workforce so more targeted action could be taken.</li> <li>▶ Staff networks and forums do not have terms of references and the work undertaken by the Equality and Diversity champions could be more effectively documented.</li> </ul>
Social Housing Decarbonisation Fund	-	7	-	Moderate	Moderate	The purpose of this review was to determine whether appropriate controls are in place to manage the £7.26m SHDF funding that has been allocated to upgrade 367 social housing properties including reaching energy efficiency targets.

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p><u>Conclusion</u></p> <p>Both the control design and effectiveness have been deemed moderate as despite areas of good practise such as the robust procurement process, clearly defined roles and monthly reporting there were areas of exception to the control environment. This included the lack of formal arrangements for monitoring KPIs with their contractor and the recording of lessons learnt throughout the project. Further gaps are identified below.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> <li>▶ Due to gaps in skills and capacity within the existing team, there was a seven-month delay in the start of the Wave 2.1 project while the Council recruited a project manager.</li> <li>▶ We identified instances where properties had been upgraded beyond EPC Band C which requires contributions from the Council. There were other instances where documentation had not been retained to demonstrate the completion of the work.</li> <li>▶ Based on the narrative on the June 2024 invoice from E.ON, it appears that an invoice was raised for Phase 2 installations despite the DCA Report stating that this work had been delayed and was subject to an underspend.</li> <li>▶ Key performance indicators (KPIs) have not been identified with E.ON to report and monitor at the weekly contractor meetings. Additionally, the actions agreed with E.ON were not given due dates or action owners.</li> <li>▶ Inspection certificates were not retained for any of the ten Phase 1 upgrades that we reviewed and we were unable to trace each installation to the invoice from E.ON, thereby confirming that the contractor was not paid prior to the inspection of the works.</li> <li>▶ The Council have not developed a formal tenant engagement strategy, as required by the SHDF Wave 2.1 guidance. Furthermore, despite it being part of its funding application, a Tenant Liaison Officer has not been appointed to manage engagement and communication with tenants.</li> <li>▶ Lessons learnt throughout the project were not documented and shared, although, actions were discussed regularly at contractor meetings.</li> </ul>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Art Council Grant Review				N/A	N/A	<p>The purpose of this review was to verify income and expenditure to evaluate the appropriateness of the spend of the Art Council Grant.</p> <p><u>Conclusion</u></p> <p>In our opinion the Council's Income and Expenditure Statement under the South Kesteven District Council Transition Fund for the period from 1 April 2023 to 5 July 2024 has been fairly stated, in all material respects, in accordance with the applicable criteria.</p>
Homelessness	-	2	1	Moderate	Moderate	<p>The purpose of this review was to provide assurance over how the Council manages its homelessness and temporary accommodation responsibilities. This included alignment of approaches to local priorities, community needs and statutory requirements, review of committee meetings and sample testing of applicants within temporary accommodation to review the eligibility criteria, review of case, support provided, and actions taken.</p> <p><u>Conclusion</u></p> <p>Both the control design and effectiveness have been deemed moderate as whilst there was good practise noted in the form of regular budget monitoring, a good structure of governance committees and a strong commitment to training there are some exceptions which weakened the control environment. This included the housing strategy requiring review as well as an update to procedure documents being required. Additionally extended temporary accommodation stays have been noted which could cause mental health and wellbeing impact. It is noted that some of these factors are influenced by national challenges.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> <li>▶ The Council's Housing Strategy 2020-2024 is in the process of being revised however it does not contain Homelessness prevention initiatives, aligned to the Corporate Plan 2024-27.</li> <li>▶ From our sample of 10 cases in temporary accommodation, we noted extended stays in most cases with one case remaining in Council owned temporary accommodation for 301 days before moving to permanent accommodation in September 2024.</li> </ul>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
Business Continuity and Disaster Recovery	-	3	1	Moderate	Moderate	<p>The purpose of this review was to provide assurance over business continuity and disaster recovery arrangements including the regular testing of critical services and assessing whether there was sufficient IT disaster recovery to restore systems in the event of cyber-attack.</p> <p><u>Conclusion</u></p> <p>Both the control design and effectiveness have been deemed moderate as despite good practise such as a dedicated business continuity steering group, an up-to-date business continuity plan and business continuity being part of the strategic risk register there are some gaps in the control environment. These are underpinned by the lack of formed business continuity plans in a significant number of areas as well as gaps in some plans.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> <li>▶ The Council currently has a set of 18 Business Impact Assessments (BIAs) in place which are not yet fully formed BCPs for service areas.</li> <li>▶ Eight of the Council's BIAs do not confirm whether third parties that the service areas rely on have a corresponding BCP.</li> <li>▶ As the Council is undergoing a revision of their approach to business continuity, the individual plans have not been subject to testing and the lessons learned following an incident have not been included within the action log for the business continuity steering group.</li> </ul>
Income Generation	-	1	3	Substantial	Moderate	<p>The purpose of this audit was to assess the controls in place for generating income, setting fees and benefiting from grant and funding opportunities and maximising marketing revenue.</p> <p><u>Conclusion</u></p> <p>The control design was substantial given numerous areas of good practise such as multiple, marketing channels demonstrating reach and engagement, established grant funding processes that have been successful and strong analytical capabilities of marketing platforms. The control effectiveness however was deemed moderate due to areas of improvement such as formalising grant funding practises enhancing revenue generation from existing marketing channels and the variation in fee setting processes with some services lacking documented rationale for price changes.</p>

Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<b>Findings</b> <ul style="list-style-type: none"> <li>Annual reviews of fees and changes are not consistently performed across all service areas, as testing identified that car parks fees are reviewed on an ad hoc basis rather than annually, and for some services like Leisure and Garden Waste, there was insufficient documentation of cost analysis to support fee increases.</li> </ul>
Council Tax and NNDR	-	1	1	Substantial	Moderate	<p>The purpose of this review was to provide assurance over the effectiveness of procedures for setting, billing and recovering council tax and NNDR as well as the effectiveness of the new Citizens Access Revenue Portal.</p> <p><b>Conclusion</b></p> <p>The control design was deemed substantial due to clear policies in place and the Citizens Access Portal's ability to streamline the process reducing staff time. However the control effectiveness was deemed moderate due to non-compliance with controls that may put some objectives at risk. Fundamentally, these are due to significant delays in writing off council tax and NNDR debts. There are significant resource challenges in the enforcement team after failing to recruit for a vacant role.</p> <p><b>Findings</b></p> <ul style="list-style-type: none"> <li>There were delays in processing debts to be written off, up to 210 days in some instances, despite a monthly process for writing off debts and a business rate case written off has no documentary evidence to support consultation with Cabinet Member for Finance. Extended delays in processing write-offs could result in Council not being able to demonstrate transparency and accountability in managing its financial processes, while gaps in documentary evidence could impact the Council's ability to evidence appropriate decision making.</li> </ul>
Data Protection and FOI, EIR and SAR	-	4	1	Moderate	Moderate	<p>The purpose of this audit was to assess compliance against key parts of the UK GDPR including training and awareness, governance structures to include roles and responsibilities, data breach management process, data protection impact assessment process and ensuring that there was a robust and embedded data protection policy.</p> <p><b>Conclusion</b></p> <p>Both the control design and effectiveness were deemed moderate as despite several areas of good practise such as there being a dedicated Data Protection Officer (DPO) with clear responsibilities, high performance against benchmarking of other local authorities</p>

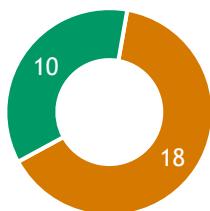
Report Issued	Recommendations and significance			Overall Report Conclusions (see Appendix 1)		Conclusion and Summary of Key Findings
	H	M	L	Design	Operational Effectiveness	
						<p>and a defined data protection policy there were some exceptions to the control environment that may put system objectives at risk. Fundamentally, this includes the lack of alignment between the Information Sharing Agreement Register and the RoPA, improvements identified in the Council's procedures for conducting DPIAs as well as the Council's current retention schedules and the overall training completeness rates, as well as the application of existing third-party data sharing arrangements.</p> <p>However, we recognise the Council have been through a significant journey of improvement regarding GDPR compliance.</p> <p><u>Findings</u></p> <ul style="list-style-type: none"> <li>▶ The Council's overarching RoPA lacks sufficient detail to allow for an accurate oversight of data processing activities.</li> <li>▶ Of the three DPIAs that were completed in 2024, the Business Database for Businesses DPIA has several sections that are incomplete. In addition to this there are several gaps highlighted in the Council's RoPA in respect of where the processing of sensitive or special category personal data is happening, however there is no corresponding DPIA that has been completed.</li> <li>▶ Although the Council's retention schedule has been recently reviewed, there are several gaps in the RoPA which do not show whether this is being applied in practice leaving concerns with the level of completeness of the information included within the existing retention schedule.</li> <li>▶ Although the Council has a separate Information Sharing Agreement Register, this does not currently correlate with the information currently recorded in the RoPA which results in concerns around the completeness of both documents and the overall visibility that the Council has on all data sharing exposures.</li> </ul>

# SUMMARY OF FINDINGS

## RECOMMENDATIONS AND ASSURANCE DASHBOARD

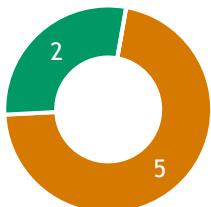
### Recommendations

2024/25



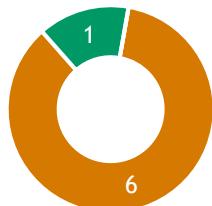
In 2024/25 there were a total of 28 recommendations, 18 medium and 10 low. No high priority recommendations were offered which is positive and indicates a good control environment is in place.

### Control Design



In 2024/25 five moderate assurance opinions were offered as well as two substantial assurance opinions. There have been no limited opinions offered in the year which indicates there is generally a sound system of control design.

### Operational Effectiveness



In 2024/25 six moderate assurance opinions were offered as well as one substantial assurance opinion. There have been no limited opinions offered in the year which indicates generally controls are managed effectively.

## ADDED VALUE



### USE OF SPECIALISTS

We used our IT specialists to deliver the Business Continuity and Disaster Recovery review. All reviews were carried out by dedicated public sector auditors.



### RESPONSIVENESS

We ensured that our audit approach was responsive to the Council's needs, adjusting audit timings to enable officer's to balance our work with their existing responsibilities.



### BENCHMARKING AND GOOD PRACTICE

We provided quarterly sector updates to the Governance and Audit Committee and included benchmarking / comparative analysis in individual audit reports where applicable.



# KEY THEMES



## PEOPLE

Our audits generally found that staff are well aware of their roles and responsibilities and adequate training is provided where required.



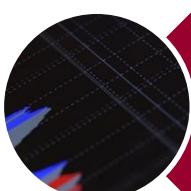
## GOVERNANCE & STRUCTURES

Overall, we found good management and governance structures to be in place, with clear reporting lines.



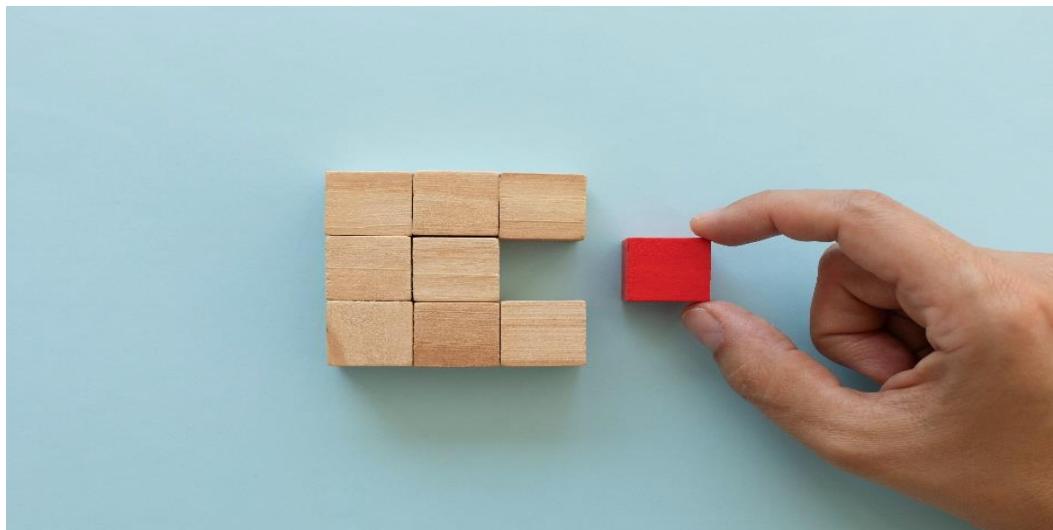
## STRATEGIES & POLICIES

Strategies, policies and procedures are generally well designed. The need for improvements in clarity in a small number of areas was identified and we found that the Housing Strategy 2020-2024 requires review and update.



## SYSTEMS & PROCESSES

The Council has effective systems in place and processes are generally well followed. However we identified scope for improvement in reporting and monitoring key performance indicators in the Homelessness audit.



# BACKGROUND TO ANNUAL OPINION

## Introduction

Our role as internal auditors to South Kesteven District Council is to provide an opinion to the Council, through the Governance and Audit Committee, on the adequacy and effectiveness of the internal control system to ensure the achievement of the organisation's objectives in the areas reviewed. Our approach, as set out in the firm's Internal Audit Manual, is to help the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Our internal audit work for 2024/25 was carried out in accordance with the internal audit plan approved by the Senior Leadership Team and the Governance and Audit Committee, adjusted during the year for any emerging risk issues. The plan was based upon discussions held with management and was constructed in such a way as to gain a level of assurance on the main financial and management systems reviewed. There were no restrictions placed upon the scope of our audit and our work complied with Public Sector Internal Audit Standards.

The annual report from internal audit provides an overall opinion on the adequacy and effectiveness of the organisation's risk management, control and governance processes, within the scope of work undertaken by our firm as outsourced providers of the internal audit service. It also summarises the activities of internal audit for the period.

## Audit Approach

We have reviewed the control policies and procedures employed by South Kesteven District Council to manage risks in business areas identified by management set out in the 2024/25 Internal Audit Annual Plan which was approved by the Governance and Audit Committee. This report is made solely in relation to those business areas and risks reviewed in the year and does not relate to any of the other operations of the organisation. Our approach complies with best professional practice, in particular, Public Sector Internal Audit Standards, the Chartered Institute of Internal Auditors' Position Statement on Risk Based Internal Auditing.

We discharge our role, as detailed within the audit planning documents agreed with the Council's management for each review, by:

- ▶ Considering the risks that have been identified by management as being associated with the processes under review
- ▶ Reviewing the written policies and procedures and holding discussions with management to identify process controls
- ▶ Evaluating the risk management activities and controls established by management to address the risks it is seeking to manage
- ▶ Performing walkthrough tests to determine whether the expected risk management activities and controls are in place
- ▶ Performing compliance tests (where appropriate) to determine that the risk management activities and controls have operated as expected during the period.

The opinion provided on page 3 of this report is based on historical information and the projection of any information or conclusions contained in our opinion to any future periods is subject to the risk that changes may alter its validity.

### **Reporting Mechanisms and Practices**

Our initial draft reports are sent to the key contact responsible for the area under review to gather management responses. In every instance there is an opportunity to discuss the draft report in detail. Therefore, any issues or concerns can be discussed with management before finalisation of the reports.

Our method of operating with the Governance and Audit Committee is to agree reports with management and then present and discuss the matters arising at the Governance and Audit Committee meetings.

### **Management actions on our recommendations**

Management were engaged with the internal audit process and provided considerable time to us during the fieldwork phases of our reviews, in some cases providing audit evidence promptly and allowing the reviews to proceed in a timely manner, including opportunities to discuss findings and recommendations prior to the issue of draft internal audit reports. Management responses to draft reports were mostly within our requested time frame, however, there were some instances where the turnaround of draft reports was slow.

### **Recommendations Follow-up**

Implementation of recommendations is a key determinant of our annual opinion. If recommendations are not implemented in a timely manner, weaknesses in control and governance frameworks will remain in place. Furthermore, an unwillingness or inability to implement recommendations reflects poorly on management's commitment to the maintenance of a robust control environment.

Management have generally responded in a timely manner for requests to provide information to support the implementation of audit recommendations. Where initial implementation action dates were missed, revised dates were provided and generally appropriate action has been taken.

### **Relationship with External Audit**

All our final reports are available to the external auditors through the Governance and Audit Committee papers and are available on request. Our files could be made available to external audit should this be required.

**Report by BDO LLP to South Kesteven District Council**

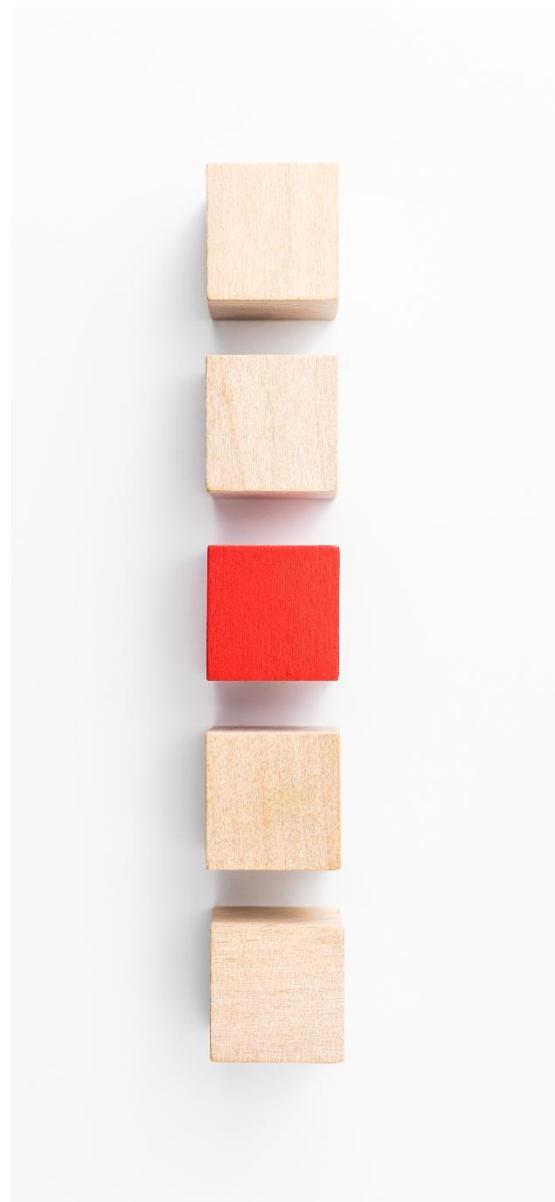
As the internal auditors of the Council we are required to provide the Governance and Audit Committee, and the Senior Leadership Team with an opinion on the adequacy and effectiveness of risk management, governance and internal control processes, as well as arrangements to promote value for money.

In giving our opinion it should be noted that assurance can never be absolute.

The internal audit service provides South Kesteven District Council with **Moderate assurance** that there are no major weaknesses in the internal control system for the areas reviewed in 2024/25. Therefore, the statement of assurance is not a guarantee that all aspects of the internal control system are adequate and effective. The statement of assurance should confirm that, based on the evidence of the audits conducted, there are no signs of material weaknesses in the framework of control.

In assessing the level of assurance to be given, we have taken into account:

- ▶ All internal audits undertaken by BDO LLP during 2024/25
- ▶ Any follow-up action taken in respect of audits from previous periods for these audit areas
- ▶ Whether any significant recommendations have not been accepted by management and the consequent risks
- ▶ The results of regulatory reviews and other assurance providers
- ▶ The effects of any significant changes in the organisation's objectives or systems
- ▶ Matters arising from previous internal audit reports to the Council
- ▶ Any limitations which may have been placed on the scope of internal audit - no restrictions were placed on our work.



# KEY PERFORMANCE INDICATORS

Quality Assurance	KPI	RAG Rating
High quality documents produced by the auditor that are clear and concise and contain all the information requested.	After each final report we issue a satisfaction survey and unfortunately to date we have received no responses. However, we receive verbal feedback from our key contacts and the service delivered is seen as positive. As it is our first year, we will increase efforts with management to obtain survey responses	
Frequent communication to the customer of the latest mandatory audit standards and professional standards prescribed.	Sector updates are provided within the Governance and Audit Committee progress report.	
The auditor attends the necessary meetings as agreed between the parties at the start of the contract.	All meetings attended including Governance and Audit Committee meetings, pre-meetings, individual audit meetings and contract reviews.	
Information is presented in the format requested by the customer.	No requests to change the BDO format.	
Customer satisfaction reports - overall score at average of at least 3.5/5 for surveys issued at the end of each audit.	After each final report we issue a satisfaction survey and unfortunately to date we have received no responses. However, we receive verbal feedback from our key contacts and the service delivered is seen as positive. As it is our first year, we will increase efforts with management to obtain survey responses.	
Annual survey to Governance and Audit Committee to achieve score of at least 70%.	We have issued two satisfaction surveys to the Governance and Audit Committee in our first year and unfortunately to date we have received no response. We will increase efforts with Committee to obtain survey responses.	
External audit can rely on the work undertaken by internal audit (where planned).	Audit work available to external audit.	
Annual Audit Plan delivered in line with timetable.	We have completed our annual programme of work for 2024/25 in time to issue our HoA opinion ahead of the Council finalising its Annual Governance Statement.	
Actual days are in accordance with Annual Audit Plan.	Planned number of audit days in line with those agreed with Governance and Audit Committee.	
Draft report to be produced 3 weeks after the end of the fieldwork.	Achieved for 6 out of 8 draft reports issued for 2024/25.	
Management to respond to internal audit reports within 2 weeks.	Achieved for 7 out of 8 draft reports issued for 2024/25.	
Final report to be produced 1 week after management responses.	Achieved for 8 out of 8 final reports issued for 2024/25.	
90% recommendations to be accepted by management.	Achieved for 8 out of 8 final reports issued for 2024/25.	
At least 60% input from qualified staff.	Achieved for 8 out of 8 final reports issued for 2024/25.	
Positive result from any external review.	The External Audit Quality Assessment by the Institute of Internal Auditors in April 2021 found BDO to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	

ANNUAL OPINION DEFINITION	
Substantial - Fully meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is only a small risk of failure or non-compliance.
Moderate - Significantly meets expectations	Our audit work provides assurance that the arrangements should deliver the objectives and risk management aims of the organisation in the areas under review. There is some risk of failure or non-compliance.
Limited - Partly meets expectations	Our audit work provides assurance that the arrangements will deliver only some of the key objectives and risk management aims of the organisation in the areas under review. There is a significant risk of failure or non-compliance.
No - Does not meet expectations	Our audit work provides little assurance. The arrangements will not deliver the key objectives and risk management aims of the organisation in the areas under review. There is an almost certain risk of failure or non-compliance.

REPORT OPINION SIGNIFICANCE DEFINITION		Design Opinion	Findings	Effectiveness Opinion	Findings
Substantial		Appropriate procedures and controls in place to mitigate the key risks.	There is a sound system of internal control designed to achieve system objectives.	No, or only minor, exceptions found in testing of the procedures and controls.	The controls that are in place are being consistently applied.
Moderate		In the main, there are appropriate procedures and controls in place to mitigate the key risks reviewed, albeit with some that are not fully effective.	Generally a sound system of internal control designed to achieve system objectives with some exceptions.	A small number of exceptions found in testing of the procedures and controls.	Evidence of noncompliance with some controls that may put some of the system objectives at risk.
Limited		A number of significant gaps identified in the procedures and controls in key areas. Where practical, efforts should be made to address in-year.	System of internal controls is weakened with system objectives at risk of not being achieved.	A number of reoccurring exceptions found in testing of the procedures and controls. Where practical, efforts should be made to address in-year.	Non-compliance with key procedures and controls places the system objectives at risk.
No		For all risk areas there are significant gaps in the procedures and controls. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Poor system of internal control.	Due to absence of effective controls and procedures, no reliance can be placed on their operation. Failure to address in-year affects the quality of the organisation's overall internal control framework.	Non-compliance and/or compliance with inadequate controls.

RECOMMENDATION SIGNIFICANCE DEFINITION	
High	A weakness where there is substantial risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could lead to an adverse impact on the business. Remedial action must be taken urgently.
Medium	A weakness in control which, although not fundamental, relates to shortcomings which expose individual business systems to a less immediate level of threatening risk or poor value for money. Such a risk could impact on operational objectives and should be of concern to senior management and requires prompt specific action.
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.

**FOR MORE INFORMATION:**

**GURPREET DULAY**

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SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

## Governance & Audit Committee

Wednesday, 18 June 2025

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

## Corporate Plan 2024-27: Key Performance Indicators Report - End-Year (Q4) 2024/25

### Report Author

Charles James, Policy Officer

 [Charles.James@southkesteven.gov.uk](mailto:Charles.James@southkesteven.gov.uk)

### Purpose of Report

To present the Council's performance against the Corporate Plan 2024-27 Key Performance Indicators (KPIs) within the purview of this Committee for Quarter Four 2024/25.

### Recommendations

#### That the Committee:

1. Notes and scrutinises the performance against the Corporate Plan Key Performance Indicators in relation to the delivery of the Corporate Plan 2024-27.

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

## 1. Implications

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

### ***Finance and Procurement***

- 1.1 There are no significant financial implications arising from this report, which is for noting.

*Completed by: David Scott, Assistant Director of Finance (Deputy s151 officer)*

### ***Legal and Governance***

- 1.2 Regular monitoring of service area performance is to be welcomed and represents good governance. This report is for noting and there are no significant legal or governance implications arising from the report.

*Completed by: James Welbourn, Democratic Services Manager*

## 2. Background to the Report

- 2.1 The Corporate Plan 2024-2027 was adopted by Council on 25 January 2024. It was proposed actions, key performance indicators (KPIs) and targets would be developed by the relevant Member led Committees, who would retain oversight of the performance management arrangements at a strategic level.
- 2.2 The actions within the purview of this Committee with accompanying measures were presented to and agreed by the Committee on 19 June 2024.

### **3. Key Considerations**

- 3.1 This report is the second of the new reporting cycle and covers the period January to March 2025 (Quarter 4 2024/25).
- 3.2 Appendix A presents the overall performance against the three actions being presented in this session. Commentary by the responsible officer is provided for each action. Performance is summarised using a RAG system as follows:
- 3.3 Three of the actions are rated Green. These are actions which are on, or above target as planned.
- 3.4 Zero actions are rated as Amber, these are those off target by less than 10% or where milestone achievement is delayed but with resolution in place to be achieved within a reasonable timeframe.
- 3.5 Zero actions are rated as Red. These are actions that are significantly below target.
- 3.6 Zero actions are rated as N/A. These are actions for which work has not yet meaningfully commenced e.g. being sequenced on the completion of other items, or where data is unavailable.
- 3.7 The KPIs have been developed in close consultation with the relevant Officers for each service. It is expected that the KPI suite will experience a degree of evolution over the next four years. This improvement will be prompted by the needs of decision makers and the Committees, and further consideration of how to best meet those needs by Officers.

### **4. Other Options Considered**

- 4.1 As Council has agreed the Committees will lead monitoring performance, there are no viable alternatives. An absence of performance arrangements would mean the delivery of the Corporate Plan is unmonitored and prevent continuous improvement. A purely internal KPI suite would prevent effective and transparent scrutiny and accountability.

### **5. Reasons for the Recommendations**

- 5.1 This is a regular report where Members are invited to scrutinise and comment on performance.

### **6. Appendices**

- 6.1 Appendix A – Corporate Plan 2024-27 KPI Report: Governance & Audit Committee End-Year (Q4) 2024/25



<b>Corporate Plan 2024-27: KPI Summary Report 2024/25 – Governance &amp; Audit Committee</b>							
<b>Index</b>	<b>Priority</b>	<b>Action</b>	<b>Owner</b>	<b>2024/25 Quarterly Overall Status</b>			
				<b>Q1</b>	<b>Q2</b>	<b>Q3</b>	<b>Q4</b>
COUN4	Effective Council	Produce and deliver a Councillor Development Strategy and accompanying programme to achieve accredited Councillor Development Charter status.	Assistant Director (Governance & Public Protection) and Monitoring Officer	On Target	On Target	On Target	On Target
COUN11	Effective Council	Deliver the Internal Audit Plan and drive continuous organisational improvement.	Risk Officer	On Target	On Target	On Target	On Target
COUN15	Effective Council	Complaints, Freedom of Information (FOI) and Subject Access Request (SAR) reporting.	Data & Information Governance Officer	On Target	On Target	On Target	On Target

Corporate Plan 2024-27: KPI Summary Report Q4 2024/25 – Governance & Audit Committee							
Index	Priority	Action	Owner	Target/s	Q4 Value	Q4 Status	Manager Commentary
COUN4	Effective Council	Produce and deliver a Councillor Development Strategy and accompanying programme to achieve accredited Councillor Development Charter status.	Assistant Director (Governance & Public Protection) and Monitoring Officer	Strategy scheduled for approval in November 2024	Adopted	On Target	The first meeting of the Councillor Development Group in September saw the adoption of its terms of reference and endorsement of a draft Councillor Development Strategy. The Councillor Development Strategy was approved by Cabinet in November 2024.
				Achievement of Councillor Development Charter Status (accreditation by end of 2025)	See Commentary	On Target	The collation of evidence required for the East Midlands Councillor Development Charter accreditation continues to be collated and an action plan has been developed to set out timelines attributed to individual elements of the criteria. Having a Councillor Development Group in place, together with a Councillor Development Strategy, places the Council in a positive position with regard to meeting the accreditation criteria
				% of Councillors attending mandatory training	99.1%	Below Target	Mandatory training sessions have been rolled out since 23 May 2024 with a number of refreshers. Councillors have until 23 November 2024 to attend all four mandatory sessions. Two Councillors have not attended.
				% of Councillors with personal development plans	26.79%	Below Target	Personal Development Plans were rolled out in January 2025 and Members had until March 2025 to return these. Fifteen have been completed, to date.
COUN11	Effective Council	Deliver the Internal Audit Plan and drive continuous organisational improvement.	Risk Officer	Progress on the internal plan - 100% completion of the audit plan by 1st March 2025	Completed	On Target	Internal Audit plan for 2024/25 has been completed. Audits were undertaken of the Social Housing Decarbonisation Fund, Staffing Capacity & Capability, Homelessness, Income Generation, Business Continuity & Disaster Recovery, Council Tax & NNDR. Moderate or Substantial assurance was achieved for all completed audits. An audit of the Data Protection, FOI, EIR & SAR processes was also undertaken and is currently being finalised.

Index	Priority	Action	Owner	Target/s	Q4 Value	Q4 Status	Manager Commentary
COUN15	Effective Council	Complaints, Freedom of Information (FOI) and Subject Access Request (SAR) reporting.	Data & Information Governance Officer	*Number of Complaints (% dealt with within defined timescales) *Number of FOIs (% dealt with within defined timescales) *Number SARs (% dealt with within defined timescales) * Stage 1 complaints per quarter with a resolution & Stage 2 resolution Ombudsman determinations against the LA (Housing) *Percentage of complaints responded to within target time (Housing)	305 received 75.4% completed on time 248 received 100% completed on time 36 received ( 100% completed on time 294 received Stage 1 Resolved 287 on time (97.6%) Stage 2 received 11 Resolved 9 on time (81.8%) Ombudsman Determinations Against – 0 (3 ongoing cases) 80.26% completed on time	On Target On Target On Target On Target On Target	The Council's complaints processing has continued to improve. An effective process is in place for Stage 1 and 2 Housing complaints. A complaints review group has been established who review the complaints received and lessons are learnt. The Council has exceeded the goal for the 24/25 calendar year for FOI response times. Service areas are engaging with the information governance team earlier in the process and are providing their responses at a faster rate than before in the majority of cases. The Council has performed very well in the past year with a 100% turnaround of SARs within 1 calendar month. Service areas have also improved their turnaround time for collating information allowing more time to be spent on checking and redacting documents before release.

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## Governance and Audit Committee

Wednesday, 18 June 2025

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

## Update on Fair Tax Declaration

### Report Author

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

[david.scott@southkesteven.gov.uk](mailto:david.scott@southkesteven.gov.uk)

### Purpose of Report

To provide an update on the actions taken to respond to the Council's aspiration to be a Fair Tax organisation.

### Recommendations

**The Committee is recommended to note the report.**

### 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 It is important that the Council leads by example and demonstrates good practice in tax conduct across all business activities.
- 1.2 Under the Council's procurement rules potential suppliers must declare as part of the bidding process if they have committed any tax offences and if so, would be excluded from bidding on our tenders.

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

### ***Legal and Governance***

- 1.3 There are no governance comments not already referred to within the report.

*Completed by: James Welbourn, Democratic Services Manager*

## 2. Background to the Report

- 2.1. At its meeting of 23<sup>rd</sup> November 2023, Full Council passed a motion to aspire to be a Fair Tax organisation and to investigate relevant financial arrangements, contracts and investments.
- 2.2. The motion included the following:
  - Lead by example and demonstrate good practice in tax conduct, right across our activities.
  - Ensure IR35 is implemented robustly and contract workers pay a fair share of employment taxes.
  - Not use offshore vehicles for the purchase of land and property, especially where this leads to reduced payments of stamp duty.
  - Undertake due diligence where possible to ensure that all new suppliers wishing to trade with the council are transparent and complete declarations on ownership, consolidated profit and loss, that they pay due taxes, business rates and other taxes in line with the Fair Tax standards. Promote the Fair Tax standard to all existing suppliers and request they seek compliance with the standard.

- Promote Fair Tax Mark certification especially for any business in which the council has a significant stake and where corporation tax is due.
- Support Fair Tax Week events in the area and celebrate the tax contribution made by responsible businesses are proud to promote responsible tax conduct and pay their fair share of corporation tax.
- Support calls for urgent reform of UK procurement law to enable local authorities to better penalise poor tax conduct and reward good tax conduct through their procurement policies.

2.3. Appendix A outlines how the Council is meeting the obligations it agreed to and demonstrates it is fulfilling its aspiration to be a fair tax organisation. In summary, the Council has taken the following actions:

- Led by example to demonstrate good tax conduct
- Completed a VAT self-assessment check with external advisors in July 2024
- Undertaken a compliance check with HMRC
- Specific IR35 training for relevant Officers
- Purchased an IR35 e-learning licence to support ongoing awareness
- Continued to avoid the use of offshore vehicles for purchasing land or property
- Ensured companies that have committed tax offences have not been permitted to bid for Council work
- Supported and promoted Fair Tax week 2025 which ran from 8<sup>th</sup> – 15<sup>th</sup> June 2025

### **3. Key Considerations**

3.1 This report summaries the positive steps the Council has taken since the Motion was passed on 23rd November 2023. It provides demonstrable evidence of actions relating to the Council's responsibilities and aspirations for Fair Tax conduct.

### **4. Other Options Considered**

4.1 No other options have been considered.

### **5. Reasons for the Recommendations**

5.1. This is an update report.

### **6. Consultation**

6.1. Officers have taken advice from their tax advisors around the impact of tax obligations on the Council and have also discussed with external procurement

(currently Welland Procurement) on how to integrate the requirements into the council's Contract Procedure Rules and associated procurement processes.

## **7. Background Papers**

- 7.1. Further information regarding the fair tax foundation can be accessed via the following link [Home - Fair Tax Foundation](#) [Fair Tax Foundation](#).

## **8. Appendices**

- 8.1. None

## APPENDIX A – FAIR TAX DECLARATION COMPLIANCE UPDATE

	<b>Fair Tax Declaration</b>	<b>SKDC Update</b>
<b>1</b>	Lead by example and demonstrate good practice in our tax conduct, right across our activities	<ul style="list-style-type: none"> <li>• The council has access to external VAT expert advisors to ensure it is compliant in all activities undertaken.</li> <li>• In July 2024 the Council completed a VAT self-assessment review with its external VAT advisors which didn't identify any major issues and therefore demonstrating good tax conduct.</li> <li>• Following the above the Council also undertook a compliance review with HMRC as part of their rotational selection process which didn't identify any significant issues.</li> </ul>
<b>2</b>	Ensure IR35 is implemented robustly and contract workers pay a fair share of employment taxes	<ul style="list-style-type: none"> <li>• Using its external VAT support an in- person training course was delivered on IR35 and Off- Payroll Working in November 2023 to ensure officers are aware of the correct processes and obligations.</li> <li>• This has then been supplemented by the Council procuring an e-learning licences for IR35 status training course to be rolled out to all officers that undertake recruitment.</li> </ul>
<b>3</b>	Not use offshore vehicles for the purchase of land and property, especially where this leads to reduced payments of stamp duty	<ul style="list-style-type: none"> <li>• The council doesn't use any offshore vehicles for land or property purchases</li> </ul>
<b>4</b>	Undertake due diligence where possible to ensure that all new suppliers wishing to trade with the council are transparent and complete declarations on ownership, consolidated profit and loss, that they pay due taxes, business rates and other taxes in line with the Fair Tax standards. Promote the Fair Tax	<ul style="list-style-type: none"> <li>• Under the Councils procurement rules potential suppliers must declare as part of the bidding process if they have committed any tax offences and if so, would be excluded from bidding on our tenders.</li> <li>• Before contracts are awarded, a company check is undertaken around the general health of the company which should flag up any tax offences.</li> </ul>

	standard to all existing suppliers and request that they seek compliance with the standard	
5	Promote Fair Tax Mark certification especially for any business in which we have a significant stake and where corporation tax is due	<ul style="list-style-type: none"> <li>• The only business that the Council has a significant stake in that could be due to pay corporation tax is LeisureSK where annual calculations are undertaken to assess any tax liability due.</li> <li>• As part of the financial support agreement with LeisureSK, the Council has responsibility for the processing of invoices and associated tax returns and therefore in line with response to section 1 above ensures fair tax compliance.</li> </ul>
6	Support Fair Tax Week events in the area and celebrate the tax contribution made by responsible businesses are proud to promote responsible tax conduct and pay their fair share of corporation tax	<ul style="list-style-type: none"> <li>• The council has supported and promoted Fair Tax week 2025 (8<sup>th</sup> – 15<sup>th</sup> June)</li> <li>• Issued press release outlining our support for fair tax which included sharing through our social media channels and promoting through business links including Federation of small businesses, Lincolnshire Chamber of Commerce and Business Lincolnshire.</li> <li>• E-mail partners and external stakeholders to inform them about what we're doing and how we're supporting the fair tax campaign</li> </ul>
7	Support calls for urgent reform of UK procurement law to enable local authorities to better penalise poor tax conduct and reward good tax conduct through their procurement policies	<ul style="list-style-type: none"> <li>• The council will champion for tax conduct to be considered in any consultation around changes to UK procurement law</li> </ul>



## Governance and Audit Committee

Wednesday, 18 June 2025

Report of Councillor Paul Stokes,  
Deputy Leader of the Council and  
Cabinet Member for Culture and  
Leisure

## Appointment of a Non-Executive Director for LeisureSK Ltd

### Report Author

Karen Whitfield, Assistant Director – Leisure, Culture and Place

[karen.whitfield@southkesteven.gov.uk](mailto:karen.whitfield@southkesteven.gov.uk)

### Purpose of Report

To consider the appointment of a Non-Executive Director and Chairman for LeisureSK Ltd.

### Recommendations

#### The Committee is recommended to:

1. Approve the appointment of Mr David Rushton as a Non-Executive Director for LeisureSK Ltd for a fixed term period of five years from 1 July 2025.
2. Approve the appointment of Mr David Rushton as the Chairman of LeisureSK Ltd.

### Decision Information

Does the report contain any exempt or confidential information not for publication?

Exempt Appendix One is not for publication by virtue of paragraph 1 of Part 1 of Schedule 12A of the Local Government Act – Personal information

What are the relevant corporate priorities?

Connecting communities  
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 This report contains a proposal to appoint a Non-Executive Director at a remuneration of £15,000 per annum. The appointment is being made in advance of the contract for the current Non-Executive coming to an end to allow for a handover period.
- 1.2 Whilst this represents good practice in terms of business continuity, this will result in an additional £7,500 of expenditure for the company in the current financial year. Under the current agency model the Council receives the leisure generated income generated less the expenditure incurred.

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

### ***Legal and Governance***

- 1.3 The LeisureSK Ltd Articles of Association provide that the Council is responsible for appointing Directors to the Board. Furthermore, the Articles state that it is the Council's role to nominate a Chairman and to determine the length of office in this regard.
- 1.4 The addition of a Non-Executive Director with significant leisure experience will provide added resilience to the Board and represents good governance.
- 1.5 Should the appointment be approved the Board for LeisureSK Ltd would consist of three Directors and two Non-Executive Directors until the end of December 2025 when the fixed term contract for the existing Non-Executive Director is due to end.

*Completed by: James Welbourn, Democratic Services Manager*

## 2. Background to the Report

- 2.1. LeisureSK Ltd was established in as a company in 2019 to manage the Council's leisure facilities under a contract arrangement. The company is wholly owned by the Council.
- 2.2. The Council and LeisureSK Ltd entered a new 10-year contract arrangement on 1 April 2025. The contract is based upon agency principles.

- 2.3. The Board of LeisureSK Ltd currently comprises Councillor Patsy Ellis, Councillor Philip Knowles, Mr David Scott (Assistant Director of Finance and Deputy Section 151 Officer) and Mr David Monkhouse (Non-Executive Director).
- 2.4. Mr David Monkhouse was appointed on a five-year fixed term contract which is due to expire at the end of December 2025. His current remuneration for this post is £15,000 per annum.

### **3. Key Considerations**

- 3.1. It is considered timely to appoint a Non-Executive Director to allow a sufficient handover period before the contract ends for the current Non-Executive Director. The Council has received an application from Mr David Rushton who has considerable experience across the leisure sector at a senior level. This includes managing local authority sport and physical activity services, leisure procurements, leisure contract operations, business planning and business development, and performance management.
- 3.2. In addition to Mr Rushton's significant experience across the leisure industry he was employed for ten years by the Audit Commission specialising in the leisure sector. He has a detailed knowledge of LeisureSK Ltd as he supported the Council when the company was established following a leisure options review. More recently Mr Rushton supported the Council in an in-depth analysis of the performance of LeisureSK Ltd.
- 3.3. Mr Rushton's Curriculum Vitae is attached at **Exempt Appendix One**. His career highlights include:

#### **3-years - The Active Communities Consultancy:**

- Sole trader sport and physical activity consultant working with public sector clients
- Delivering consultancy projects on behalf of local authority clients including procurement, feasibility and sport and physical activity strategies.

#### **10-years - The Sport, Leisure & Culture Consultancy:**

- Sport and physical activity consultant working with public sector clients
- Delivering consultancy projects on behalf of local authorities including procurement, feasibility and sports and physical activity strategies. This included projects on behalf of South Kesteven District Council including leisure management options appraisals and LeisureSK Ltd mobilisation plan.

### **1-year - Sports & Leisure Management (Everyone Active):**

- Working for a large leisure management contractor which currently manages and leases 140 plus leisure centres on behalf 24 local authority clients
- Project management of bids for local authority leisure contracts.

### **10-years - The Audit Commission:**

- Leading on over 50 leisure and culture service inspections
- Leisure facility and procurement consultancy work
- Comprehensive Performance Assessment inspector.

### **10-years - Circa Leisure and Leisure Connection (now part of Parkwood Leisure):**

- Responsible for developing and implementing the company's groundbreaking SwimSchool brand in across 50 local authority leisure sites
- Part of mobilisation team for the new Grantham Meres Leisure Centre in 1998.

- 3.4. It is proposed that Mr Rushton be appointed as a Non-Executive Director for LeisureSK Ltd on a fixed term contract for five years. The remuneration for this post would be £15,000 per annum.
- 3.5. The Articles of Association also provide that the Council is responsible for appointing a Chairman for LeisureSK Ltd. Following the resignation of Ms Debbie Roberts this position is currently vacant.
- 3.6. In recognition of Mr Rushton's extensive leisure experience, it is recommended that Mr Rushton is also appointed in the position of Chairman.
- 3.7. Should this recommendation be approved, it is proposed that the Board of LeisureSK Ltd will conduct a skills audit. This will identify the key skills, experience and knowledge of each Board member and whether there are any gaps.

## **4. Other Options Considered**

- 4.1. The Council has the option not to make the requested appointment. However, this will not provide resilience to the Board of LeisureSK Ltd.

## **5. Reasons for the Recommendations**

- 5.1. The requested appointments will provide LeisureSK Ltd with additional resilience and leisure specific knowledge.

## **6. Appendices**

### **6.1. Exempt Appendix One – Mr David Rushton Curriculum Vitae.**

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

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# Governance and Audit Committee Work Plan 2025-2026

## Committee Membership:

**Chairman:** Councillor Tim Harrison

**Vice-Chairman:** Councillor Paul Wood

Item	Current Issues/Status	Outcome Sought
<b>23 July 2025</b>		
Draft Financial Outturn 2024/25	Council's outturn position for the financial year 2024/2025	To review the contents of the report and consider approving any reserve movements, Capital slippages and creation of reserves
Annual Governance Statement 2024/25	Draft Annual Governance Statement 2024/2025	To review and note the contents of the report
Treasury Management Annual Report 2024/25	Annual report of treasury management activities	To review and note the contents of the report
Treasury Management Activity Updates	Update on treasury management activities during the financial year	To review and note the contents of the report
Contract Procedure Rules	Review and update the Council's Contract Procedural rules	To recommend to Council
Strategic Risk Register	Strategic Risk Register is considered every four months	To review and approve the Strategic Risk Register
Risk Management Annual Report 2024/25	Annual report of risk management activities undertaken during the year	To review and note the contents of the report
Whistleblowing Annual Report 2024/25	Annual report of whistleblowing	To review and note the contents of the report

Item	Current Issues/Status	Outcome Sought
<b>24 September 2025</b>		
Housing Benefit Subsidy Claim 2023/24	To provide the outcome of the Housing Benefit (Subsidy) Assurance Process for 2023/24	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Internal Audit Follow Up Report	Update from the Council's Internal Auditors in respect of progress made against the implementation of actions	To review and note the contents of the report
Financial Regulations	Update of the Council's Financial Regulations	Recommendation to Council
Counter Fraud Annual Report 2024/25	Annual report of counter fraud activities undertaken during the year	To review and approve the contents of the report
Health and Safety Annual Report 2024/25	Annual report of H&S activities undertaken during the year	To review and note the contents of the report
Ombudsman Annual Report 2024/25	Annual report of complaints received and decisions made from the Local Government Ombudsman Letter	To review and note the contents of the report
<b>13 November 2025</b>		
External Audit Annual Governance Report	Key findings arising from the statutory audit of the Council	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Statement of Accounts 2024/25	To be approved each year by the statutory deadline	To approve the 2024/2025 Statement of Accounts and their publication on the Council's website

Item	Current Issues/Status	Outcome Sought
Annual Governance Statement 2024/25	To consider the Draft Annual Governance Statement for 2024/2025	To review and approve the Draft Annual Governance Statement 2024/2025
Corporate Plan 2024-27: Key Performance Indicators Report	To present the Council's performance against the Corporate Plan 2024-27 KPIs	To review and note the contents of the report
Strategic Risk Register	Strategic Risk Register is considered every four months	To review and approve the Strategic Risk Register
Safeguarding Annual Report 2024/25	Annual report of safeguarding	To review and note the contents of the report
Renewal of the Co-opted member	To consider renewing the Co-opted Member position on the G&A Committee.	To accept the Employment Committee's recommendation of whether to renew the position.
<b>21 January 2025</b>		
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report
Indicative Internal Audit Plan 2026/27	Internal Audit to present the indicative Internal Audit Plan for 2026/2027	To review and approve the indicative Internal Audit Plan for 2026/2027
Treasury Management Strategy 2026/27	Council's indicative Treasury Management Strategy for 2026/2027	To review and approve the indicative Treasury Management Strategy for 2026/2027
<b>18 March 2025</b>		
Annual Report on Grants and Returns	External Audit's report on grants and returns for the year	To review and note the contents of the report
Internal Audit Progress Report	Update from the Council's Internal Auditors in respect of progress made against the plan	To review and note the contents of the report

Item	Current Issues/Status	Outcome Sought
Internal Audit Follow Up Report	Update from the Council's Internal Auditors in respect of progress made against the implementation of actions	To review and note the contents of the report
Indicative Internal Audit Plan 2026/27	Internal Audit to present the indicative Internal Audit Plan for 2026/2027	To review and note the contents of the report
Statement of Accounting Policies	Annual report prior to the preparation of the Statement of Accounts to ensure that the policies are up to date and in line with the CIPFA Code of Practice	To consider approving the Statement of Accounting Policies
Strategic Risk Register	Strategic Risk Register is presented to the Committee every four months as part of the monitoring and review of the risk management arrangements	To review and approve the Strategic Risk Register
<b>Unscheduled</b>		
Access to Information Working Group Update	Update on the meeting of the Access to Information Working Group	To review and note the contents of the report
<b>Items to be allocated as and when required</b>		
Code of Conduct		
Code of Corporate Governance		
Constitutional Amendments		
Contract Procedure Rules – being reviewed 2025/26		
Financial Regulations – being reviewed 2025/26		
Risk Management Framework – due in 2027/28		

Item	Current Issues/Status	Outcome Sought
Counter Fraud, Bribery, and Corruption Strategy – due 2026/27		
Anti Money Laundering Policy – due 2026/27		
Whistleblowing Policy – due 2026/27		
Review of Subject Access Requests		
Committee Members meeting with auditors		

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# Agenda Item 14

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

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