

# Governance and Audit Committee



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

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Wednesday, 21 January 2026 at 2.00 pm  
Council Chamber - Council Offices, St. Peter's Hill,  
Grantham. NG31 6PZ

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

Councillor Robert Leadenham, Councillor Bridget Ley, Councillor Habib Rahman,  
Councillor Rhea Rayside, Councillor Paul Stokes, Councillor Mark Whittington,  
Councillor Sue Woolley and Alan Bowling

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## Agenda

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

1. **Apologies for absence**
2. **Disclosure of interests**  
Members are asked to disclose any interests in matters for consideration at the meeting.
3. **Minutes of the meeting held on 13 November 2025** (Pages 3 - 10)
4. **Internal Audit Progress Report** (Pages 11 - 26)  
Update from the Council's Internal Auditors in respect of progress made against the plan.
5. **Indicative Internal Audit Plan 2026/27** (Pages 27 - 51)  
Internal Audit to present the indicative Internal Audit Plan for 2026/2027.
6. **2026/27 Treasury Management Strategy Statement** (Pages 53 - 90)  
The Council is required by regulations issued under the Local Government Act 2003 to produce a Treasury Management Statement for each financial year

7. **Review of the Financial Regulations** (Pages 91 - 231)  
Update of the Council's Financial Regulations.
8. **Strategic Risk Register** (Pages 233 - 253)  
To provide an update on the Council's Strategic Risks and Strategic Risk Register.
9. **Work Programme 2025 - 2026** (Pages 255 - 256)  
To consider the Committee's Work Programme for 2025 – 2026.
10. **Any other business, which the chairman, by reasons of special circumstances, decides is urgent.**

## Meeting of the Governance and Audit Committee

Thursday, 13 November 2025, 2.00  
pm



SOUTH  
KESTEVEN  
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COUNCIL

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### Committee Members present

Councillor Tim Harrison (Chairman)  
Councillor Paul Wood (Vice-Chairman)  
Councillor Bridget Ley  
Councillor Rhea Rayside  
Councillor Paul Stokes  
Councillor Sue Woolley  
Alan Bowling

### Cabinet Members present

Councillor Ashley Baxter  
Councillor Philip Knowles

### Other Members present

Councillor Graham Jeal

### Officers

Richard Wyles, Deputy Chief Executive and Section 151 Officer  
David Scott, Assistant Director of Finance and Deputy Section 151 Officer  
Debbie Roberts, Head of Corporate Projects, Policy and Performance  
Claire Moses, Head of Service (Revenues, Benefits, Customer Services and Community)  
Sarah McQueen, Head of Service (Housing Options)  
James Welbourn, Democratic Services Manager  
Joshua Mann, Democratic Services Officer  
Gurpreet Dulay, Internal Auditor  
Paul Akanbi, Internal Auditor  
Salma Younis, External Audit

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#### 40. Apologies for absence

Apologies for absence were received from Councillor Robert Leadenham.

#### 41. Disclosure of interests

No interests were disclosed.

#### 42. Minutes of the meeting held on 24 September 2025

The minutes of the meeting held on 24 September 2025 were proposed, seconded and agreed as an accurate record.

#### **43. Internal Audit Progress Report**

The Internal Audit Progress Report was presented by the internal auditors and reviewed performance management.

The report granted performance management at the Council as having a substantial design opinion and moderate effectiveness opinion.

Areas of strength identified included the key performance indicators (KPIs) which were embedded into service plans, the agreed escalation and reporting process for KPIs, and the oversight of KPIs given to Members via Cabinet and overview and scrutiny committees.

The area of concern identified was that some KPIs lacked supporting commentary to explain the performance, despite being assigned an owner. A recommendation and management response accompanied this observation.

During discussions, Members commented on the following:

- The Internal Auditors urged for KPI responses to be more comprehensively followed through when a KPI was unconfirmed for a particular period. The suggestion was made for this to be monitored more closely by Overview and Scrutiny Committees.
- A Member recognised that the KPIs had overall been positive and could be used to support external funding bids.
- The auditors confirmed that the current audit plan ran until 31 March 2026 and the subsequent plan would run until LGR was implemented.

The Internal Audit Progress Report was noted by the Committee.

#### **44. External Audit Annual Governance Report**

The External Audit Annual Governance Report was presented by the external auditors.

The report included an Executive Summary and a Value for Money statement.

The Executive Summary confirmed that no public interest report had been issued for the financial year, no judicial reviews had been requested, and no advisory notices had been issued. Whilst the external auditors reserved the power to make recommendations to the Council, no new recommendations were made within the report.

The External Auditor did note that SKDC had missed the regulatory deadline for the publication of draft unaudited statement of accounts for the second year running. It was explained the reasons for the delay related to resourcing issues and the implementation of the new finance system.



Whilst the Value for Money statement identified a governance risk regarding the accounts production, the external auditors were satisfied this did not amount to a significant weakness in arrangements over governance at the Council. The result was a moderate assurance was granted as the Head of Internal Audit Opinion for 2024-25. It was also noted that in relation to the final audited accounts the Council was in a good position compared to many councils as a significant number were still awaiting their final opinions. The external auditor was confident the final accounts would be signed off by the statutory backstop date of 27 February 2026.

During discussions, Members commented on the following:

- A Member queried whether the additional legal costs due to Code of Conduct complaints was comparable across local authorities. The External Auditors confirmed that SKDC were not an outlier. The Leader of the Council noted that training had helped to reduce the level of Code of Conduct complaints.
- The External Auditor confirmed that Governance was not deemed to be an area of weakness. They also confirmed that an IT specialist was currently reviewing the new finance system. This was due to be presented in the audit plan in April 2026.

The External Audit Annual Governance Report was noted by the Committee.

#### **45. Co-opted Member**

*As the current co-opted Member of the committee, Alan Bowling declared an interest and left the Chamber for the remainder of the item.*

The Co-opted Member report was presented by the Cabinet Member for Corporate Governance & Licencing.

The Governance and Audit Committee had the ability as part of its terms of reference in the Constitution to appoint an External Co-opted Member onto its Committee. Alan Bowling was appointed as an 'External Co-opted Member' at the Governance and Audit meeting held on 27 November 2024. Given that the initial one-year term of this co-opted Member was due to expire, the decision of extending the currently co-opted Members term sat with the Committee.

The Cabinet Member suggested an amendment to agree the extension of the term length to 31 March 2027 to coincide with the financial year.

Incorporating this amendment, it was proposed, seconded and AGREED for the term of the current co-opted member of the Governance & Audit Committee to be extended until 31 March 2027.

*Alan Bowling returned to the Chamber.*

#### **46. Treasury Management Report Quarter 2 2025/26**

The Treasury Management Report Quarter 2 2025/26 was presented by the Leader of the Council.

The report outlined that no additional borrowing had been required during the first half of 2025/26. The current Council borrowing was with the Public Works Loan Board (PWLb) and the average rate of interest paid on the debt portfolio was 2.5%.

The average size of the investment portfolio for the 6-month period of 2025-26 was £67.960m compared to an average portfolio size of £66.479m during the same period in 2024/25.

As of 30 September 2025, the Council held short term investments of £60.520m (specified investments) and £3.000m (non-specified investments).

Across all short term investments the council is achieving an average rate of return of 4.37% which is higher in comparison to other public bodies within our benchmark group rate who are only achieving 4.30%. Overall, the Council was forecasting additional investment income of £0.175m against its budgeted level of £2.579m which would help support the delivery of council services and delivery of corporate priority projects.

The Treasury Management Strategy 2025/26 and the Treasury Management Prudential Indicators accompanied the report.

During discussions, Members commented on the following:

- Referring to section 3.10 of the report, it was confirmed that the council was forecasting additional investment income of £0.175m in addition to its budgeted level of £2.579m.

The Treasury Management Report Quarter 2 2025/26 was noted by the Committee.

#### **47. Corporate Plan 2024-27: Key Performance Indicators Report - Mid-Year (Q2) 2025/26**

The Corporate Plan 2024-27: Key Performance Indicators Report - Mid-Year (Q2) 2025/26 report was presented by the Cabinet Member for Corporate Governance & Licensing.

This report was the third of the reporting cycle and covered the period July to September 2025 (Quarter 2 2025/26).

Appendix A presented the overall performance against the 3 actions being presented. Commentary by the responsible officer was provided for each action. Performance was summarised using a RAG system as follows:

- One of the actions were rated Green. These were actions which were on or above target as planned. The actions related to the delivery of the Internal Audit Plan.
- Two actions were rated as Amber, these were those off target by less than 10% or where milestone achievement was delayed but with resolution in place to be achieved within a reasonable timeframe. These actions related to Complaints, Freedom of Information (FOI) and Subject Access Request (SAR) reporting. Also the production and delivery of a Councillor Development Strategy and accompanying programme to achieve accredited Councillor Development Charter status.

During discussions, Members commented on the following:

- It was confirmed that waiting for the imposition of the new permanent Director of Law and Governance did not impact SKDC's pursuit of accredited Councillor Development Charter status as there was no deadline set by East Midlands Councils. This would be resumed when the Officer was in post and it was confirmed there was no cost implication during the delay.

The Corporate Plan 2024-27: Key Performance Indicators Report - Mid-Year (Q2) 2025/26 was noted by the committee.

#### **48. Counter Fraud Annual Report 2024/25**

*The Chairman of the Council entered the Chamber.*

The Counter Fraud Annual Report 2024/25 was presented by the Cabinet Member for Corporate Governance & Licensing.

A key activity undertaken during 2024/25 was a review of Housing Benefit and Council Tax Support Fund payments. Following the review, £391,434 was recovered (included prior year debt). A review was also undertaken into the single person discount, which resulted in 664 awards being removed from the Council Tax account. As a result of this, £299,834 of revenue was generated with SKDC's share at £26,985. Furthermore, SKDC entered a contract to for a third-party to undertake these reviews annually for the following three financial years.

As of 31 March 2025, the Council awarded business rates relief during 2024/25 of £3,677,321. For Small Business Rates Relief, a review was ongoing for 2025/26 which commenced in June 2025.

During discussions, Members commented on the following:

- The comment was made to consider whether the contract for the subsequent three annual reviews was worth it as the Member suggested the number of single-person discount rebates may diminish given that so many had already been identified.
- The Head of Service (Revenues, Benefits and Customer Service) confirmed the rolling review would see revenue generation above the cost of the contract, explaining there would be an ongoing review of any re-applications or new applications from those with a new council tax liability.

Following discussions, it was proposed, seconded, and AGREED to approve the Counter Fraud Annual Report 2024/25.

#### **49. Safeguarding Annual Report 24/25**

The Safeguarding Annual Report 2024/25 was presented by the Cabinet Member for Housing.

The report provided details of the Council's safeguarding responsibilities. Details of the training and development provided to officers and elected Members was included along with information regarding the number of modules that had been completed during 2024/25. The report outlined the safeguarding interventions undertaken within the timeframe, including short case studies to provide a background to some of the interactions between residents and officers.

During discussions, Members commented on the following:

- Clarity was sought about cross-district, partnership working. It was confirmed that SKDC regularly attended Lincolnshire-wide safeguarding partnership meetings where strong communication was undertaken. It was also clarified that SKDC's role was to refer safeguarding concerns to Lincolnshire County Council.
- It was noted that whilst there was no explicit list of veterans for whom safeguarding referrals had been made, it should be captured within the individual casefile whether the individual was a veteran.
- The Safeguarding Lead confirmed that there was resilience within the team despite there not being a dedicated Safeguarding Officer.

The Safeguarding Annual Report 24/25 was noted by the Committee.

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

It was noted to remove the Annual Governance Statement as an individual item as this was included within the Statement of Accounts.

It was also noted that the February meeting date was only provisional and may move by a few days.

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

A visiting Member raised the matter of compulsory annual training and suggested that the mandated frequency of these should be revisited. On the agreement that relevant legislation was considered, some Members were open to this discussion but the suggestion was made for this to be revisited when the new permanent Monitoring Officer was in post.

*The meeting concluded at 15.10.*

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**South Kesteven District Council**  
**Internal Audit Progress Report**  
**January 2026**



IDEAS | PEOPLE | TRUST



# Summary of 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 Global Internal Audit Standards in the UK Public Sector. 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 based on us giving 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.



## Internal audit plan 2025/26

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

- ▶ Treasury Management
- ▶ Building Control
- ▶ IT Strategy

Fieldwork is in progress in respect of the following audit:

- ▶ Accounts Payable

Planning is underway in respect of the following audits:

- ▶ Market Services
- ▶ Main Financial Systems
- ▶ Stock Management

We anticipate presenting these reports at future Governance and Audit Committee meetings.

## Changes to the 2025/26 internal audit plan

Management has requested a Stock Management review covering Waste Management, Housing Repairs, Transport and Street Scene be added to the 2025/26 Internal Audit Plan. This review is scheduled for completion in Q4 2025 and will be delivered using the contingency days already approved within the plan.




## Review of 2025/26 work


AUDIT	EXEC LEAD	AUDIT COMMITTEE	PLANNING	FIELD WORK	REPORTING	DESIGN	EFFECTIVENESS
Climate Plan	Director of Housing	18 June 2025	✓	✓	✓	M	S
Payroll Access	Assistant Director of Finance	23 July 2025	✓	✓	✓	M	S
Voids Management	Director of Housing	24 September 2025	✓	✓	✓	M	M
Performance Management	Director of Housing	13 November 2025	✓	✓	✓	S	M
Treasury Management	Assistant Director of Finance	21 January 2026	✓	✓	✓	M	S
Building Control	Assistant Director of Planning	21 January 2026	✓	✓	✓	S	M
IT Strategy	Deputy Chief Executive	21 January 2026	✓	✓	✓	M	M
Account Payables	Assistant Director of Finance	18 March 2026	✓	✓	✓ Draft		
Market Services	Deputy Chief Executive	18 March 2026	✓				
Main Financial Systems	Assistant Director of Finance	18 March 2026	✓				
Stock Management	Deputy Chief Executive	June 2026	✓				

# Treasury Management

SRR REFERENCE: 4. INEFFECTIVE FINANCIAL MANAGEMENT, 14. SIGNIFICANT FRAUD/THEFT SUCCESSFULLY COMMITTED AGAINST THE COUNCIL

Design Opinion	M Moderate	Effectiveness Opinion	S Substantial
Recommendations	0	0	2

 SCOPE	<p><b>Areas reviewed</b></p> <ul style="list-style-type: none"><li>▶ We performed a walkthrough and process mapping of current investment procedures, including weekly meetings, email-based approvals, and spreadsheet use to assess whether control weaknesses were compensated with secondary checks.</li><li>▶ Reviewed eight investment transactions from September 2024 to August 2025 across different instruments to assess compliance with the Treasury Strategy and authorisation controls.</li><li>▶ Examined quarterly (Q1 and Q2 25/26) and annual (24/25) treasury reports submitted to Members to evidence level of review or challenge by the Governance &amp; Audit Committee, in compliance with CIPFA's Prudential Code, to support effective oversight and scrutiny of treasury performance.</li><li>▶ Assessed the level of compliance with key prudential indicators, limits, and policy thresholds as per the 2024/25 Treasury Strategy, and the adequacy of counterparty monitoring, including review of credit reports received from MUFG to ascertain whether updates were integrated into Council records.</li></ul>
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 AREAS OF STRENGTH	<p>We identified the following areas of good practice:</p> <ul style="list-style-type: none"><li>▶ In order to monitor prudential indicators and policy thresholds there are several stages of oversight and reporting, this includes:<ul style="list-style-type: none"><li>• Weekly reporting and meetings between the Treasury Management Officer, Assistant Director of Finance and Deputy Chief Executive on the current investments held, treasury management position and discussion of any upcoming decisions.</li><li>• Quarterly and annual reporting to the Governance and Audit Committee to outline the Treasury Management position.</li><li>• Ad Hoc strategy meetings with the corporate market advisors MUFG.</li></ul></li><li>▶ MUFG monitor counterparty risk using Fitch, Standard &amp; Poor's, and Moody's Ratings to establish the risk of given counterparties to create a list of approved investments/ lenders. This is monitored by MUFG daily with a weekly list sent to the council, accompanied by an explanatory email where there are differences or changes to the list.</li><li>▶ From our review of eight investments between September 2024 and August 2025 we found all to be approved with an appropriate segregation of duties.</li></ul>
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## AREAS OF CONCERN

### Low findings

Two low-priority findings were identified, broadly relating to:

- ▶ Governance approval of Treasury Management Practices and
- ▶ The retention of supporting evidence for money Market risk.



## CONCLUSION

We have provided a Moderate opinion of control design and substantial effectiveness of controls over Treasury Management functions.

### Control Design

We have deemed control design to be moderate as there was generally a sound system of internal controls designed to achieve its objectives, despite some exceptions. These exceptions include the lack of evidence retention for approvals of the Treasury Management Practices as well as for individual investments and the review of risk associated to money market funds.

### Control effectiveness

The control effectiveness has been deemed substantial as despite some weaknesses in the control design surrounding evidence retention, all investments within our sample were approved appropriately, in accordance with the scheme of delegation.

# Building Control

**SRR REFERENCE: 8: UNABLE TO MAINTAIN AND BUILD QUALITY AND CONSISTENCY IN SERVICE PROVISION BY THE COUNCIL, 15: NOT MAINTAINING AND DEVELOPING FRUITFUL PARTNERSHIPS AND COLLABORATIONS**

Design Opinion	<b>S</b> Substantial	Effectiveness Opinion	<b>M</b> Moderate
Recommendations	<b>0</b> <b>1</b> <b>1</b>		



## SCOPE

### Areas reviewed

As part of the scope of this audit, the following areas were reviewed:

- ▶ The partnership governance framework, including the Service Level Agreement (SLA), Deed of Variation, Partnership Board structure, and Chief Executives' Board oversight, to determine whether roles, responsibilities, reporting lines, and escalation routes are clearly defined, agreed, and actively maintained across the three partner councils.
- ▶ Partnership Board and Chief Executive Board minutes (May 2024 - Sept 2025) to assess whether financial performance, service risks, staffing, KPIs, and regulatory developments (such as the Building Safety Levy and OSRs) are regularly reported, discussed, and actioned.
- ▶ EMBC performance dashboards and KPI monitoring arrangements, including application processing times, plan-checking timeliness, inspection response rates, inspection volumes, market share, and customer satisfaction, to assess accuracy, completeness, timeliness of reporting, and alignment with Operational Standards Rules (OSRs).
- ▶ Customer satisfaction survey results (Mar 2024 - Aug 2025) to assess how surveys are issued, collected, analysed, and escalated, and whether recurring customer themes (e.g., inspection confirmations, contact difficulties, website request handling) are used to drive service improvements.
- ▶ Performed walkthroughs of end-to-end Building Control processes, from application submission via the Council website/EMBC portal through validation, plan-checking, inspection scheduling, and final certification, to assess whether customer-facing and technical processes are well-integrated and consistently applied.
- ▶ The IDOX Uniform system workflow controls to confirm how applications, inspections, correspondence, and performance data are recorded, tracked, and monitored, including the use of automated prompts to support statutory timeframes.
- ▶ Staffing structure and competency information, including details presented in the September 2025 Finance and Economic Oversight and Scrutiny Committee (FEOSC) report, to confirm the roles, experience, and Building Safety Regulator competence registration of surveyors and support staff, and assess whether capacity supports service resilience.
- ▶ Financial management arrangements, including EMBC's cost recovery approach, the 75/25 fee-earning split, monthly financial monitoring reports, fee-modelling spreadsheets, cumulative surplus/deficit tracking, and transparency of public-facing fee information on the Council's website.
- ▶ Review of 10 completed applications for KPI accuracy, including the dataset of applications received/completed (Jan 2024 - Oct 2025), in preparation for validating

application processing, plan-checking timeliness, inspection responsiveness, and inspection volumes through detailed case sampling.

- ▶ Held assurance discussions with representatives from both Partner Councils, to obtain partner level perspectives on effectiveness of the EMBC partnership arrangement, whether partnership expectations and oversight arrangements operate consistently across all three authorities.



## AREAS OF STRENGTH

We identified the following areas of good practice:

- ▶ There is a well-established governance framework in place, supported by a formal SLA and Deed of Variation. Partnership Board meetings are held bi-monthly with consistent representation from all three authorities, providing structured oversight of finance, staffing, performance, risk and regulatory developments. Strategic oversight is further strengthened by the annual Chief Executives' Board.
- ▶ Performance monitoring arrangements are mature and embedded, with KPI data extracted directly from the Uniform system and reviewed at each Partnership Board meeting. KPI reports consistently show strong performance across application processing times, plan-check turnaround, inspection responsiveness and market share.
- ▶ Financial management is robust and transparent, with clear separation of chargeable and non-chargeable activity, monthly monitoring of income and expenditure, and annual fee modelling aligned with the Building (Local Authority Charges) Regulations 2010 and CIPFA guidance. Consistent use of the 75/25 split provides a stable basis for cost recovery.
- ▶ The IDOX Uniform system is used effectively to manage applications, inspections and case progress. The system provides a fully digital workflow that supports timely processing, consistent record-keeping and automated reminders to maintain statutory compliance.
- ▶ Customer-facing processes and access routes are clear and well designed, with the Councils website linking directly to EMBCs portal to provide guidance on application types, fees, booking inspections, and duty-holder responsibilities.
- ▶ Workforce competence and resilience is strong, with all surveyors either registered or progressing through the Building Inspector Competence Framework (BICoF). The staffing structure includes senior officers, technical surveyors, and support staff with experience across domestic and commercial workstreams. Succession planning is supported through trainee recruitment.
- ▶ Partner councils (Newark & Sherwood District Council and Rushcliffe Borough Council) reported positive working relationships with EMBC, describing the service as effective and responsive, with governance and reporting arrangements through the Partnership Board providing appropriate visibility and assurance.



## AREAS OF CONCERN

Finding	Recommendation and Management Response
<p><b>Survey Results:</b> EMBC collects performance data and customer feedback. However, recurring dissatisfactory themes identified across survey responses are not supported by trend analysis or a documented improvement process, limiting the service's ability to demonstrate continuous improvement (<b>Finding 1 - Medium</b>).</p>	<p>The Building Control Manager should embed a closed-loop performance cycle:</p> <ol style="list-style-type: none"> <li>Obtain more feedback request targeting 20% to ensure more feedback is received</li> <li>Consolidate monthly survey metrics into a standard KPI dashboard (including inspection booking reliability, website request completion rate, contact responsiveness, and AM/PM slot adherence)</li> </ol>

		<p>C. Maintain a partnership action log with owners, target dates, and closure evidence</p> <p>D. Escalate negative cases and repeated themes to the Partnership Board with a brief “you said—we did” summary; and verify fixes (e.g., automated inspection confirmation emails and web-form work queues) and reflect outcomes in subsequent dashboards</p> <p>E. EMBC could further strengthen feedback engagements using regular agent forums to promote survey participation and by publishing a ‘You said, we did’ summary on the EMBC and partner council websites. This would improve visibility of learning from feedback and help demonstrate continuous improvement beyond survey collection alone.</p> <p><u>Management Response</u></p> <p>A. The feedback survey currently used will be reviewed to ensure that it is suitable including seeking to increase levels of feedback received. It is intended to set up a developers’ forum, and this can be used to obtain further feedback.</p> <p>B. Work is currently underway to create a KPI dashboard and the scope of this will be reviewed to include the suggested elements.</p> <p>C. 1c. The action logs for the Partnership meetings will be updated to reflect the recommendations1d. The feedback survey data is currently shared with the partners and with the wider team.</p> <p>D. A log will be created to enable monitoring of key themes and review actions or service improvements that have occurred because of any of the feedback received.</p> <p>E. As stated above, a developers/agents’ forum will be set up and this can be used to obtain further feedback and provide updates about service improvements/changes</p> <p><u>Responsible Officer and Implementation date</u></p> <p>A. Assistant Director of Planning &amp; Growth/Building Control Manager. 31 July 2026</p> <p>B. Assistant Director of Planning &amp; Growth/Building Control Manager. 31 July 2026</p>
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	<p>C. Assistant Director of Planning &amp; Growth/Building Control Manager. 28 February 2026</p> <p>D. Assistant Director of Planning &amp; Growth/Building Control Manager. 31 March 2026</p> <p>E. Assistant Director of Planning &amp; Growth/Building Control Manager. 31 May 2026</p>
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#### ADDED VALUE

As part of the audit, we engaged directly with representatives from the other EMBC partner councils to obtain independent perspectives on the effectiveness of the partnership and the delivery of the Building Control service.

This engagement provided additional assurance that governance reporting arrangements are working well in practice, validated the audit findings through partner insight, and identified constructive opportunities to further strengthen collaboration, local engagement and transparency.

The discussions helped ensure the audit conclusions reflect the experience of all partners and support continuous improvement across the shared service.



#### CONCLUSION

We conclude that EMBC has a Substantial design of controls and a Moderate effectiveness of controls over the delivery of the Building Control service.

##### Control Design

The control design is Substantial because there is a sound system of internal control designed to achieve system objectives. Governance arrangements through the Partnership Board are clear and active, performance information is regularly monitored, financial controls support regulatory compliance, and the Uniform system provides an integrated digital workflow to manage applications, inspections and decisions.






##### Control Effectiveness

The control effectiveness is Moderate because there is evidence of noncompliance with some controls, that may put some of the system objectives at risk. While KPIs and customer satisfaction data are collected consistently and performance is strong, there remains scope to strengthen how customer feedback is analysed to enable continuous improvement, and to consolidate existing process documentation into a locally tailored operating framework.

Overall, the Building Control service is operating effectively, is positively regarded by partner councils and demonstrates a constructive direction of travel. Addressing the identified findings and areas of improvement by partner councils would further strengthen assurance, resilience and transparency across the partnership.

# IT Strategy

## SRR REFERENCE: 7: FAILURE TO EXPLORE DIGITAL TRANSFORMATION OF COUNCIL SERVICES.

Design Opinion	 Substantial	Effectiveness Opinion	 Moderate
Recommendations	 0	 1	 2



### SCOPE

#### Areas reviewed

As part of the scope of this audit the following areas were reviewed:

#### Digital Strategy Objectives (Risk 1):

- ▶ Review the design of the IT Strategy and how it links to wider corporate objectives.

#### Roles and Responsibilities (Risk 2):

- ▶ Assess whether key stakeholders are aware of their roles and responsibilities and are appropriately equipped to deliver against objectives.

#### Policies and Procedures: (Risk 3):

- ▶ Review the effectiveness of associated policies, procedures and associated activities which allow the Council to deliver against the objectives of the strategy.

#### IT Strategy delivery and performance monitoring (Risk 4):

- ▶ Assess the operation of key controls in the strategy and the arrangements for monitoring the delivery of the strategy and reporting to key stakeholders.

#### Strategy buy-in (Risk 5):

- ▶ Assess how the Council has bought into the IT Strategy and how other Service Areas interact with the Strategy and understand its objectives.




### AREAS OF STRENGTH


We identified the following areas of good practice:


- ▶ The ICT Strategy has been revised and approved by senior management in October 2025. The Strategy sets out how the Council is approach for ICT as well as setting out how ICT links with the Council's corporate plan and financial strategy.
- ▶ The overarching vision of the strategy is framed around two principles of an ICT Platform and A Digital Workforce. The ICT Platform principle ensures that end to end interactions with ICT are streamlined and simple for end users to use while the Digital Workforce principle allows for a change in mindset to have a digitally literate workforce who are willing to embrace IT innovation.
- ▶ The main individuals involved with the delivery of the Strategy are the Head of Property Services and ICT and the IT Services Manager. The Head of Property Services and ICT has overall accountability as the sponsor of the strategy and is responsible for providing updates to the Council leadership while the IT Services Manager is responsible for helping to deliver the action plan for the strategy and ensuring that it is being delivered against the stated themes.
- ▶ As part of this review, we have spoken to five separate service areas consisting of the following members of staff:
  - ▶ Assistant Director of Finance
  - ▶ Business Support Team Leader



- ▶ M & E Projects Officer
- ▶ Democratic Services Manager
- ▶ Customer Service Manager
- ▶ As part of the discussions, we asked each of the team members how they felt about the Strategy and how they believed the objectives and approach of the strategy interact with the objectives and themes. While the individual teams were not consulted directly, we noted that the respective service areas felt supported by IT and that the planned outcomes as outlined in the delivery plan aligned with what they would like to achieve. Furthermore, the individual service areas felt able to approach the IT team without any sense of barriers being in place for what the team were trying to achieve.

 <b>AREAS OF CONCERN</b>	Finding	Recommendation and Management Response	
	The individual themes of the Strategy do not set out how they are linked to the wider corporate objectives ( <b>Finding 1 - Medium</b> ).	<p>The Head of Corporate Projects, Performance and Climate Change should:</p> <p>A. Management should ensure that the Strategy sets out how the defined expectations and objectives link to the Council's wider corporate objectives, as well as any policies, procedures, and activities that are underpinning its delivery.</p> <p><u>Management Response</u></p> <p>A. As the rollout of the Strategy progresses, clear links between the Strategy outcomes and the Corporate Plan priorities will be established.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>A. Head of Property and ICT, 30 April 2026</p>	

 <b>CONCLUSION</b>	<p>We conclude that the Council has a Substantial design of controls and a Moderate effectiveness of controls over the delivery of the ICT Strategy.</p> <p><b>Control Design</b></p> <p>We have concluded that the design of controls supporting the ICT Strategy is substantial as there is a sound system of internal control designed to achieve system objectives. The Council has established a clear strategic framework intended to support delivery of its wider corporate priorities, supported by an articulated vision, defined themes and a supporting programme of delivery activity. The Strategy provides an appropriate foundation to guide ICT investment and decision-making over the medium term.</p> <p><b>Control Effectiveness</b></p> <p>The control effectiveness is Moderate because there is evidence of noncompliance with some controls, that may put some of the system objectives at risk. While delivery activity is underway and early implementation arrangements are operating as intended, aspects of governance oversight and performance monitoring are still developing. As a result, the effectiveness of controls has not yet been fully demonstrated across the full life of the Strategy.</p> <p>Overall, it should be noted that the ICT Strategy has only been in effect since October 2025 and has therefore not yet had sufficient time to be fully implemented and embedded. The findings set out in this report should be considered as opportunities to</p>
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 further enhance the effectiveness of the Strategy as it moves from early implementation into full delivery.

## 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 Elected Members and Executive Directors.

### **MAYORS TO LEAD THE CHARGE FOR THOUSANDS OF NEW SOCIAL HOMES**

#### ***MAYORS OUTSIDE OF LONDON WILL BE GIVEN MORE INFLUENCE OVER THE DELIVERY OF THE SOCIAL AND AFFORDABLE HOUSING PROGRAMME IN THEIR AREAS.***

On 6 November 2025, the Government announced that Mayors outside of London will be given greater influence over the government's historic £39bn Social and Affordable Houses Programme as part of its drive to increase the provision of social and affordable housing. This programme is expected to provide funds to build around 180,000 homes across England (outside of London and Greater London), with at least 60% of these being social rent homes.

The Housing Secretary has said "We're also backing councils to build again and transform derelict sites into thriving neighbourhoods, urging them to go big, go bold and go build. For the first time Mayors, working jointly with Homes England, will shape the course of action for new affordable housing money in their regions, setting out ambitious plans for the types of homes that get built, sites prioritised for construction and how many suitable bids for grant funding could come forward in each area".

This funding investment has been welcomed by the Chief Executives of Homes England and the National Housing Federation, allowing local leaders to shape the social and affordable housing provision in their communities.

This investment will target areas across the North of England and in the West Midlands.

Mayors to lead the charge for thousands of new social homes - GOV.UK

#### **FOR INFORMATION**

For the Governance and Audit Committee and Executive Directors

### **PROFESSIONAL BODY FOR MONITORING OFFICERS WAS LAUNCHED IN NOVEMBER 2025**

#### ***A NEW PROFESSIONAL BODY FOR MONITORING OFFICERS WAS LAUNCHED TO ADD TO THE EXISTING BODIES FOR CHIEF EXECUTIVES AND CHIEF FINANCE OFFICERS.***

The role of a monitoring officer is a statutory role for all local authorities. However, it present, unlike other statutory roles (chief executive and chief finance officer) it does not have a professional body to represent those in this role.

The Lawyers in Local Government (LLG) will create a professional body focusing solely on monitoring officers in the sector to provide guidance to those in the role and to create a support network for monitoring officers, for professional development and resources.







This professional body is expected to give monitoring officers a stronger voice and increase resilience of the function, particularly to navigate the challenges posed by local government reform.

Professional body for monitoring officers to be launched this month - The MJ

#### **FOR INFORMATION**





For the Governance and Audit Committee and Executive Directors

## 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 Engagement Partner or Engagement Manager.	
Positive result from any external review	Following an External Quality Assessment by the Institute of Internal Auditors in May 2021, BDO was found to 'generally conform' (the highest rating) to the International Professional Practice Framework and Public Sector Internal Audit Standards.	
Quality of work	We received three responses to our audit satisfaction surveys for 2025/26 reviews, with an average score of 4.2/5 for the overall audit experience and for the value added from our work. The number of responses is lower than we would expect, and we will work with management team to increase the number of responses to our surveys during 2025/26.	  
Completion of audit plan	We have progressed the 2025/26 Internal Audit Plan, with three audits presented to this Governance and Audit Committee meeting and other audits in the fieldwork or planning phase.	

# Appendix 1

## OPINION SIGNIFICANCE DEFINITION

LEVEL OF ASSURANCE	DESIGN OPINION	FINDINGS FROM REVIEW	EFFECTIVENESS OPINION	FINDINGS FROM REVIEW
<b>Substantial</b> 	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.
<b>Moderate</b> 	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.
<b>Limited</b> 	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.
<b>No</b> 	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	
<b>High</b> 	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.
<b>Medium</b> 	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.
<b>Low</b> 	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**

Gurpreet.Dulay@bdo.co.uk

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The matters raised in this report are only those which came to our attention during 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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## INTERNAL AUDIT PLAN - DRAFT

South Kesteven District Council

2026/27



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# AUDIT RISK ASSESSMENT

## BACKGROUND

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

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

## PLANNED APPROACH TO INTERNAL AUDIT 2026/27

The indicative Internal Audit programme for 2026/27 is set out on pages 6 to 12. We met with the Corporate Management Team to bring together a full plan, this would be presented to the Governance and Audit Committee meeting for review. We will keep the programme under continuous review during the year and will introduce to the plan any significant areas of risk identified by management during that period.

The plan is set within the context of a multi-year approach to internal audit planning, such that all areas of key risks would be looked at over a three-year audit cycle. We have suggested future areas of focus as part of the three-year strategic internal audit plan, set out on pages 4 and 5.

## INDIVIDUAL AUDITS

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

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

## VARIATIONS TO THE PLAN

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

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

# OUR NEXT GEN INTERNAL AUDIT APPROACH

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

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

## CORE ASSURANCE

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

## SOFT CONTROLS

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

## FUTURE FOCUSED ASSURANCE


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

## FLEXIBLE AUDIT RESOURCE

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



## MAPPING YOUR STRATEGIC RISKS

REF	STRATEGIC RISKS FROM YOUR SRR AS OF SEPTEMBER 2025	NET SCORE	RATING
1	Successful/serious cyber security attack on the Council	13	
2	Health, Safety, Wellbeing, and Safeguarding failures by the Council	10	
3	Unable to maintain financial sustainability	12	
4	Unable to maintain and build sufficient staffing capacity and capability	9	
5	Unable to meet requirements of new regulations and legislation affecting the Council	6	
6	Societal, demographic and cultural changes impacting on communities within the district	8	
7	Major Governance Failure	9	
8	Significant fraud/theft successfully committed against the Council	10	
9	Increasing levels of homelessness and meeting the challenges of maintaining quality social housing provision within the district	12	
10	The implications and general uncertainty of Local Government Reorganisation on the Council	15	
11	Not leveraging the opportunities of Devolution	12	

## MAPPING YOUR SRR TO THE STRATEGIC PLAN

REF	STRATEGIC RISKS FROM YOUR SRR	2026/27	2027/28	2028/29
1	Successful/serious cyber security attack on the Council	• N/A	• N/A	• Data Protection, EIR and Subject Access Request
2	Health, Safety, Wellbeing, and Safeguarding failures by the Council	• Planning Services - planning application and case management • Sickness and Absence Management	• Safeguarding	• Housing Benefit • Commercial Waste Services, Bins, Street Care and Recycling
3	Unable to maintain financial sustainability	• Rent Collection • Accounts Receivable • Asset Management Strategy - General Fund • Procurement Cards	• Council Tax and NNDR	• Main Financial Systems
4	Unable to maintain and build sufficient staffing capacity and capability	• Sickness and Absence Management • Equality Diversity and Inclusion	• Recruitment and Retention	• N/A
5	Unable to meet requirements of new regulations and legislation affecting the Council	• Renters Rights Act - response to new statutory responsibilities	• Parking	• N/A
6	Societal, demographic and cultural changes impacting on communities within the district	• Equality Diversity and Inclusion	• N/A	• EDI Maturity Assessment
7	Major Governance failure	• Planning Services - planning application and case management	• N/A	• Business Continuity and Disaster Recovery

REF	STRATEGIC RISKS FROM YOUR SRR	2026/27	2027/28	2028/29
8	Significant fraud/theft successfully committed against the Council	• Procurement Cards	• N/A	• N/A
9	Increasing levels of homelessness and meeting the challenges of maintaining quality social housing provision within the district	• N/A	• Social Housing Decarbonisation Fund (Wave 3)	• N/A
10	The implications and general uncertainty of Local Government Reorganisation on the Council	• LGR Programme Governance and Readiness Review	• N/A	• N/A
11	Not leveraging the opportunities of Devolution	• N/A	• Financial Sustainability and Savings Realisation	• N/A

## INTERNAL AUDIT OPERATIONAL PLAN 2026/27

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
<b>Core Assurance</b>					
<b>Accounts Receivable</b>	3	20	Q1	<p>To review the effectiveness of the Council's income billing and debt recovery arrangements by examining:</p> <ul style="list-style-type: none"> <li>• Accuracy and timeliness of invoice generation</li> <li>• Aged debt monitoring, escalation and enforcement</li> <li>• Write-off approvals and reconciliation to the general ledger</li> <li>• Recovery performance across service areas with sample testing to confirm completeness and accuracy of receivables transactions.</li> </ul>	Accounts receivable forms a critical part of the Council's cashflow and financial sustainability. Weaknesses in billing and recovery can lead to avoidable arrears, reduced liquidity, and budget pressures. With the Council's financial environment becoming more challenging, robust debt control is essential to mitigate income loss and support the Medium-Term Financial Plan.
<b>Asset Management Strategy - General Fund</b>	3	20	Q1	<p>To evaluate the adequacy and effectiveness of the Council's approach to managing General Fund assets by reviewing:</p> <ul style="list-style-type: none"> <li>• Completeness and accuracy of the corporate asset register</li> <li>• Condition surveys, maintenance planning and backlog management</li> <li>• Asset utilisation and performance monitoring</li> <li>• Disposal, acquisition and investment decision-making processes.</li> </ul>	The General Fund asset base is significant to the Council's financial resilience and long-term service delivery. Ineffective asset management can result in underutilised assets, unexpected maintenance liabilities or loss of asset value. As the Council continues to rationalise its estate and respond to increasing service pressures, assurance is required over stewardship, valuation and performance of assets
<b>Planning Services</b>	5,7	15	Q3	<p>To review the efficiency, accuracy and transparency of the planning application and case-handling process, including:</p> <ul style="list-style-type: none"> <li>• Validation, consultation and decision-making controls</li> <li>• Timeliness of case progression against national performance indicators</li> <li>• Quality and completeness of documentation</li> <li>• Enforcement follow-up and appeals handling.</li> </ul>	Planning remains a high-profile service with statutory performance expectations and reputational risks. Increasing development pressure and capacity challenges can lead to delays, inconsistent decisions or legal exposure. This review will assess whether planning processes are resilient, well-controlled and capable of meeting service demands.

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Procurement Cards	3,8	20	Q1	<p>To evaluate the controls over procurement card usage by reviewing:</p> <ul style="list-style-type: none"> <li>• Cardholder permissions and spend limits</li> <li>• Transaction monitoring, approval and reconciliation</li> <li>• Documentation and audit trail for purchases</li> <li>• Compliance with financial regulations and procurement rules. Sample transactions will be tested for validity, approval, and supporting evidence.</li> </ul>	Procurement cards carry inherent fraud and misuse risks. With cost pressures continuing, it is essential that P-Card spend is well-controlled, fully supported and compliant. This audit will provide assurance that expenditure is appropriate and that monitoring arrangements prevent loss and ensure accountability.
Rent Collection	3	20	Q3	<p>To review the effectiveness of rent billing, arrears monitoring and income recovery for Housing services by examining:</p> <ul style="list-style-type: none"> <li>• Rent setting and annual billing accuracy</li> <li>• Monitoring of arrears, early intervention and escalation pathways</li> <li>• Repayment arrangements and enforcement action</li> <li>• Write-offs, void rent loss and reconciliation processes. Sample tenancy accounts will be reviewed for completeness and accuracy.</li> </ul>	In 2023/24, the Council budgeted rental income at c£23,7m, and as of Dec 2023, collection stood at £20.1m (against expected invoices of £28.2m). Rental income is a major funding stream for Housing and critical to maintaining stock condition and service provision. Rising arrears pressures, cost of living challenges and increasing demand for social housing heighten the importance of effective rent collection. Material scale of the income stream and the income collection risk could lead to significant income loss and financial instability.
Sickness and Absence Management	2,4	15	Q3	<p>To review the Council's sickness and absence management framework by examining:</p> <ul style="list-style-type: none"> <li>• Recording accuracy in HR systems</li> <li>• Monitoring of short- and long-term absence</li> <li>• Trigger compliance and return-to-work documentation</li> <li>• Occupational health referrals and case handling</li> <li>• Workforce reporting and management oversight - a sample of absence cases will be tested for compliance and consistency procedures.</li> </ul>	Effective management of sickness absence is vital for workforce capacity, cost control and service resilience. Increasing workloads and recruitment challenges place additional pressure on staffing. Weaknesses can lead to high absence levels, increased agency costs and reduced productivity. Assurance is required to ensure the policy is consistently applied and supports both staff wellbeing and operational needs.
Renters' Rights Act - Response to New	5	15	Q4	To assess the Council's readiness and compliance arrangements relating to new statutory duties under the Renters' Rights Act. This includes reviewing:	The Renters' Rights Act introduces new statutory obligations for local authorities in licensing, enforcement, tenant protection and property

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Statutory Responsibilities				<ul style="list-style-type: none"><li>• Policy updates and implementation planning</li><li>• Tenant communication and rights awareness</li><li>• Licensing, property standards and enforcement functions</li><li>• System updates and record-keeping</li><li>• Staff training and resource allocation.</li></ul>	standards. Early assurance is essential to mitigate legal, financial and reputational risks arising from non-compliance. The review supports the Council’s transition to full compliance and readiness for regulatory oversight.
Total		125			



AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Soft Controls					
Equality, Diversity, and Inclusion	2,4,6	15	Q2	Assess how well EDI responsibilities are embedded across the Council by reviewing: <ul style="list-style-type: none"><li>• EDI policies and communication</li><li>• Workforce diversity metrics, recruitment and retention practices</li><li>• Staff training and awareness</li><li>• Accessibility and fairness in service delivery</li><li>• Monitoring, reporting and compliance with statutory duties.</li></ul>	EDI remains a statutory requirement and a key organisational priority, with public expectations increasing. Failure to embed EDI effectively may expose the Council to discrimination claims, reputational harm and poor service outcomes. The review supports assurance over fairness, inclusivity and compliance with the Equality Act across both workforce and service delivery.
Total		15			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
<b>Future Focused Assurance</b>					
<b>LGR Programme Governance and Readiness Review</b>	6,7,10,11	20	Q4	<p>Assess whether governance arrangements for Local Government Reorganisation (LGR) are robust, well-coordinated, and capable of supporting a controlled and timely transition. The review will examine:</p> <ul style="list-style-type: none"> <li>• Programme governance structure, roles, responsibilities and reporting lines</li> <li>• Clarity and ownership of workstreams (Finance, HR, ICT, Assets, Customer Services, Regulatory)</li> <li>• Risk management, issue escalation and decision-making processes</li> <li>• Stakeholder engagement, communications and transparency</li> <li>• Resource planning, capacity and skills alignment</li> <li>• Readiness assessments, implementation planning and monitoring dashboards.</li> </ul>	<p>This is the highest-ranking risk in the September 2025 Strategic Risk Register note this as a major risks linked to organisational change, service transformation, capacity pressures, and regulatory/policy shifts – all of which intensify under LGR. Without strong programme governance, the Council faces risks of:</p> <ul style="list-style-type: none"> <li>• Disruption to critical frontline services</li> <li>• Loss of financial control and budget uncertainty</li> <li>• Inadequate data migration or system integration</li> <li>• Workforce instability or loss of key skills</li> <li>• Missed statutory deadlines or compliance failures.</li> </ul> <p>Given the scale and complexity of LGR, early internal audit oversight is vital to support assurance, strengthen readiness, and mitigate transition risks.</p>
<b>Total</b>		<b>20</b>			

AREA	SRR	DAYS	TIMING	DESCRIPTION OF THE REVIEW	REASON FOR INCLUSION
Flexible Audit Resource - To be allocated during the year as required but could include the examples shown below					
Contingency/ Flexible resource	N/A	20	All	Contingency days left to allocate to flexible work.	We have built in an allocation of flexible days into our plan to support the Council on emerging risks or projects during the year.
Total		20			

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

SUMMARY	DAYS
Core Assurance	125
Soft Controls	15
Future Focused Reviews	20
Flexible Audit Resource	20
Contract Management	20
Total days	200

# APPENDIX I

## INTERNAL AUDIT CHARTER

This charter is a requirement of internal audit standards.

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

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

## STANDARDS OF INTERNAL AUDIT PRACTICE

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

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

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

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

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

## INTERNAL AUDIT'S PURPOSE AND MANDATE

### Purpose

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

The internal audit function enhances the Council's:

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

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

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

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

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

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

### **Mandate - Authority**

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

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

The GAC authorises the internal audit function to:

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

### **Mandate - Independence, position, and reporting relationships**

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

## **GOVERNANCE AND AUDIT COMMITTEE OVERSIGHT**

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

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

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

#### **Changes to the Mandate and Charter**

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

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

#### **Support for Internal Audit**

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

The Council will support the internal audit function by:

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

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

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

The GAC will support internal audit by:

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

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

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

#### **Interaction between the Governance and Audit Committee and Internal Audit**

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

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

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

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

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

#### **Internal Audit Resources**

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



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

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

## Quality

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

## External Quality Assessment

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

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

## HEAD OF INTERNAL AUDIT ROLES AND RESPONSIBILITIES

### Ethics and Professionalism

The HOIA will ensure that internal auditors:

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

### Objectivity

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

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

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

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

Internal auditors will:

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

### **Managing the Internal Audit Function**

The HoIA has the responsibility to:

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

## Communication with the Governance and Audit Committee and Senior Management

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

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

## Quality Assurance Improvement Programme

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

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

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

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

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

## SCOPE AND TYPES OF INTERNAL AUDIT SERVICES

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

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

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

Internal audit engagements may include evaluating whether:

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

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

### INTERNAL AUDIT PERFORMANCE MEASURES AND INDICATORS

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

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

**TABLE ONE: PERFORMANCE MEASURES FOR INTERNAL AUDIT**

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

## MANAGEMENT AND STAFF PERFORMANCE MEASURES AND INDICATORS

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

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

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

**TABLE TWO: PERFORMANCE MEASURES FOR MANAGEMENT AND STAFF**

### MEASURE / INDICATOR

#### Response to Reports

Audit sponsor to respond to terms of reference within one week of receipt and to draft reports within two weeks of receipt.

#### Implementation of recommendations

Audit sponsor to implement all audit recommendations within the agreed timeframe.

#### Co-operation with internal audit

Internal audit to confirm to each meeting of the GAC whether appropriate co-operation has been provided by management and staff.

## BDO CONTACTS

NAME	GRADE	TELEPHONE	EMAIL
Gurpreet Dulay	Partner	+44 (0)238 088 1896	Gurpreet.Dulay@bdo.co.uk
Paul Akanbi	Assistant Manager	+44 7393 253523	Paul.Akanbi@bdo.co.uk



**FOR MORE INFORMATION:**

**Gurpreet Dulay**

Gurpreet.Dulay@bdo.co.uk

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**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

## **Governance and Audit Committee**

Wednesday, 21 January 2026

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

## **Treasury Management Strategy Statement 2026/27**

### **Report Author**

David Scott – Assistant Director of Finance and Deputy s151 officer

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

### **Purpose of Report**

The report presents a draft Treasury Management Strategy Statement as required each Financial Year under the Local Government Act 2003.

### **Recommendations**

#### **Governance and Audit Committee is asked to:**

- **review the Treasury Management Strategy Statement 2026/27**
- **make a recommendation that Full Council approves the Treasury Management Strategy Statement 2026/27.**

### **Decision Information**

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

- 1.1 All financial implications are considered throughout the report and the Treasury Management Strategy Statement which is appended to the report.

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

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

- 1.2 This report provides details of the Council's Treasury Management Strategy Statement which forms part of the Budget and Policy Framework. Members should scrutinise any elements which will assist the role of the Governance and Audit Committee in its review of the Treasury Management Strategy.

*Completed by: James Welbourn, Democratic Services Manager*

### ***Risk and Mitigation***

- 1.3 Risk has been considered as part of this report. The Treasury Management Strategy Statement has been compiled in conjunction with the treasury advisors and is monitored by the Committee on a regular basis.

*Completed by: Tracey Elliott, Governance & Risk Officer*

## **2. Background to the Report**

- 2.1 Treasury Management is the term used to cover the Council's borrowing and investment strategies. The Council has formally adopted the key recommendations of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Treasury Management. In line with the Code, the Council is required to produce an annual Treasury Management Strategy Statement (TMSS).
- 2.2 The TMSS details the investment and borrowing policies that the Council will follow during 2026/27. The CIPFA code and the Ministry of Housing, Communities and Local Government (MHCLG) statutory guidance also requires the Council to have a policy on non-treasury investments. These will be included in the Capital Strategy which will be considered by Council as part of the annual budget process on 26 February 2026.

- 2.3 The TMSS sets out the counterparties with whom the Council will invest and the limits that can be invested with each. These limits are detailed in Appendix 3 of Appendix A as part of the Treasury Management Practices (TMPs). **There are no proposed changes to the current limits or specified counterparty investment categories.**
- 2.4 The Treasury Management Code requires all investments and investment income to be attributed to one of the following purposes:
- **Treasury Management** - This type of investment represents balances which are only held until the cash is required.
  - **Service Delivery** – Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment, which are funded by borrowing, are permitted only in cases where the income is *“either related to the financial viability of the project or otherwise incidental to the primary purpose”*.
  - **Commercial return** – Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to the Council’s financial capacity, i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. The Council **must not** borrow to invest primarily for financial return.

Governance and Audit Committee is required to receive quarterly treasury management monitoring reports for review and approval.

Appendix 3 of the TMSS explains the Council’s Ethical Investment Statement which has been reviewed to ensure: it meets the requirements of the Treasury Management Code; and does not prevent the Council from adhering to the Treasury Management principles of **Security, Liquidity and Yield**.

As part of ongoing monitoring, the TMPs are reviewed and updated during the year to reflect operational changes. These are undertaken by senior finance officers to reflect current working practices with the exception of those TMPs which are formally included within the annual TMSS and require member approval.

### **3. Key Considerations**

- 3.1 These are considered throughout the report and at Appendix A.

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

- 4.1 There are no other options because the Council has a legal obligation to produce a TMMS.

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

- 5.1 The Council has a legal obligation to produce a TMMS.

#### **6. Appendices**

- 6.1 Appendix A – 2026/27 Treasury Management Strategy Statement (TMMS)

## **2026-27 Treasury Management Strategy Statement**

### **1. Introduction**

- 1.1 The key recommendations from the revised CIPFA Treasury Management Code of Practice and a revised Prudential Code have been adopted by the Council. This Council, therefore, maintains a Treasury Management Strategy Statement (TMSS) and Annual Investment Strategy (AIS) stating policies, objectives and approach to risk management in its treasury management activities and also related reports during the financial year which are approved by Full Council.
- 1.2 The revised Treasury Management Code requires all investments and investment income to be attributed to one of the following purposes:
  - **Treasury Management** - This type of investment represents balances which are only held until the cash is required.
  - **Service Delivery** – Investments held primarily and directly for the delivery of public services including housing, regeneration and local infrastructure. Returns on this category of investment which are funded by borrowing are permitted only in cases where the income is “either related to the financial viability of the project or otherwise incidental to the primary purpose”.
  - **Commercial return** – Investments held primarily for financial return with no treasury management or direct service provision purpose. Risks on such investments should be proportionate to the Council’s financial capacity, i.e., that ‘plausible losses’ could be absorbed in budgets or reserves without unmanageable detriment to local services. The Council must not borrow to invest primarily for financial return.
- 1.3 In accordance with the revised Treasury Management Code, the Council has implemented the following guidelines:
  - **Adopted a liability benchmark treasury indicator** to support the financing risk management of the capital financing requirements. This indicator needs to be shown in chart form for a minimum of ten years, with material differences between the liability benchmark and actual loans to be explained;
  - **Long-term treasury investments**, (including pooled funds), are to be classed as commercial investments unless justified by a cash flow business case;
  - **Pooled funds** are to be included in the indicator for principal sums maturing in years beyond the initial budget year;
  - Amendment to the **knowledge and skills register** for officers and members involved in the treasury management function – to be proportionate to the size and complexity of the treasury management conducted by each authority;

- Quarterly reporting to members. Specifically, the Chief Finance Officer (CFO) is required to establish procedures to monitor and report performance against all forward-looking prudential indicators at least quarterly. The CFO is expected to establish a measurement and reporting process that highlights significant actual or forecast deviations from the approved indicators.
  - **Environmental, social and governance (ESG)** issues to be addressed within the Council's treasury management policies and practices (TMP1).
- 1.4 The main requirements of the Prudential Code relating to service and commercial investments are:
- The risks associated with service and commercial investments should be proportionate to their financial capacity, i.e. that plausible losses could be absorbed in budgets or reserves without unmanageable detriment to the Council;
  - The Council must not borrow to invest for the primary purpose of commercial return;
  - It is not prudent for the Council to make any investment or spending decision that will increase the CFR, and lead to new borrowing, unless directly and primarily related to functions of the Council, and where commercial returns are either related to the financial viability of the project or otherwise incidental to the primary purpose;
  - An annual review should be completed to evaluate whether commercial investments should be sold to release funds to finance new capital expenditure or refinance maturing debt;
  - A prudential indicator is required for the net income from commercial and service investments as a proportion of the net revenue stream;
  - Create new Investment Management Practices to manage risks associated with non-treasury investments.
- 1.5 The Council's Capital Strategy or Annual Investment Strategy should include:
- The Council's approach to investments for service or commercial purposes (together referred to as non-treasury investments), including defining the Council's objectives, risk appetite and risk management in respect of these investments, and processes ensuring effective due diligence;
  - An assessment of affordability, prudence and proportionality in respect of the Council's overall financial capacity (i.e. whether plausible losses could be absorbed in budgets and reserves without unmanageable detriment to local services);

- Details of financial and other risks of undertaking investments for service or commercial purposes and how these are managed;
  - Limits on total investments for service purposes and for commercial purposes respectively (consistent with any limits required by other statutory guidance on investments);
  - Requirements for independent and expert advice and scrutiny arrangements (while business cases may provide some of this material, the information contained in them will need to be periodically re-evaluated to inform the Council's overall strategy.
  - State compliance with paragraph 51 of the Prudential Code in relation to investments for commercial purposes, in particular the requirement that an authority must not borrow to invest primarily for financial return.
- 1.6 As this TMSS and AIS deal solely with treasury management investments, the categories of service delivery and commercial investments should be addressed as part of the Capital Strategy report.
- 1.7 As investments in commercial property have implications for cash balances managed by the treasury team a high level summary of the impact that commercial investments have, or may have, will be included if the Council plans to liquidate these investments over the 3 year period that the TMSS and AIS covers.

### Background

- 1.8 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the treasury management operation is to ensure that this cash flow is adequately planned with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council's low risk appetite, providing adequate liquidity initially before considering investment return.
- 1.9 The second main function of the treasury management service is the funding of the Council's capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. On occasion any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 1.10 The contribution the treasury management function makes to the Authority is critical, as the balance of debt and investment operations ensure liquidity or the ability to meet spending commitments as they fall due, either on day-to-day revenue or for larger capital projects. The treasury operations will see a balance of the interest costs of debt and the investment income arising from cash deposits affecting the available budget. Since cash balances generally result from reserves and balances, it is paramount to ensure adequate security

of the sums invested, as a loss of principal will in effect result in a loss to the General Fund Balance.

1.11 CIPFA defines treasury management as:

*“The management of the local authority’s investments and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

1.12 Whilst any commercial initiatives or loans to third parties will impact on the treasury function, these activities are generally classed as non-treasury activities, (arising usually from capital expenditure), and are separate from the day-to-day treasury management activities.

### Reporting Requirements

1.13 The CIPFA 2021 Prudential and Treasury Management Code requires all Council’s to prepare a Capital Strategy report which will provide the following:

- a high-level long-term overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of services
- an overview of how the associated risk is managed
- the implications for future financial sustainability

1.14 The aim of the strategy is to ensure that all of the Council’s elected members fully understand the overall long-term policy objectives

1.15 The Council is required to receive and approve, as a minimum, three main reports each year, which incorporate a variety of policies, estimates and actuals.

- **Prudential and treasury indicators and treasury strategy** - The first, and most important report covers:
  - the capital plans (including prudential indicators);
  - a minimum revenue provision (MRP) policy (how residual capital expenditure is charged to revenue over time);
  - the treasury management strategy (how the investments and borrowings are to be organised) including treasury indicators; and
  - an investment strategy (the parameters on how investments are to be managed).
- **A mid year treasury management report** – This will update members with the progress of the capital position, amending prudential indicators as necessary, and whether any policies require revision. In addition to this the quarterly update reports will be produced.



- **An annual treasury report** – This provides details of a selection of actual prudential and treasury indicators and actual treasury operations compared to the estimates within the strategy.

- 1.16 The above reports are required to be adequately scrutinised which is undertaken by the Governance and Audit Committee. This report is presented to Council for approval in March as part of the budget report.
- 1.17 In addition to the three reports detailed above, quarterly reporting is also required. These additional reports will be presented to the Governance and Audit Committee for approval.
- 1.18 **Governance and Audit Committee** – As part of the Committee's terms of reference the above reports are presented for consideration and scrutiny during the year. The Committee also has authority to approve any in year amendments to the Treasury Management Strategy as requested by officers.

### Treasury Management Strategy for 2026-27

- 1.19 The strategy for 2026-27 covers two main areas:

#### Capital issues

- the capital plans and the prudential indicators;
- the minimum revenue provision (MRP) policy.

#### Treasury management issues

- the current treasury position;
- treasury indicators which limit the treasury risk and activities of the Council;
- prospects for interest rates;
- the borrowing strategy;
- policy on borrowing in advance of need;
- debt rescheduling;
- the investment strategy;
- creditworthiness policy; and
- policy on use of external service providers.

- 1.20 These elements cover the requirements of the Local Government Act 2003, the CIPFA Prudential Code, Ministry of Housing, Communities and Local Government (MHCLG) MRP Guidance, the CIPFA Treasury Management Code and MHCLG Investment Guidance.

### Training

- 1.21 The CIPFA Treasury Management Code (the Code) requires the responsible officer to ensure that members with responsibility for treasury management receive adequate training in treasury management. This especially applies to members responsible for scrutiny.
- 1.22 The Code states that they expect “all organisations to have a formal and comprehensive knowledge and skills or training policy for the effective acquisition and retention of treasury management knowledge and skills for those responsible for management, delivery, governance and decision making”.
- 1.23 The scale and nature of this will depend on the size and complexity of the organisation’s treasury management needs. Organisations should consider how to assess whether treasury management staff and board/council members have the required knowledge and skills to undertake their roles and whether they have been able to maintain those skills and keep them up to date.
- 1.24 As a minimum, authorities should carry out the following to monitor and review knowledge and skills:
- Record attendance at training and ensure action is taken where poor attendance is identified.
  - Prepare tailored learning plans for treasury management officers and board/council members.
  - Require treasury management officers and board/council members to undertake self-assessment against the required competencies (as set out in the schedule that may be adopted by the organisation).
  - Have regular communication with officers and board/council members, encouraging them to highlight training needs on an ongoing basis.”
- 1.25 In further support of the revised training requirements, CIPFA’s Better Governance Forum and Treasury Management Network have produced a ‘self-assessment by members responsible for the scrutiny of treasury management’, which is available from the CIPFA website to download.
- 1.26 Training was provided to members of the Governance and Audit Committee by the Council’s treasury advisors, MUFG Corporate Markets on 23 November 2025 and further training is implemented as required. The training needs of treasury officers are periodically reviewed.
- 1.27 A record of the treasury management/capital finance training received by members will also be maintained by the Members Services Officer.

Treasury management consultants

- 1.28 The Council uses MUFG Corporate Markets as its external treasury management advisors.
- 1.29 The Council recognises that responsibility for treasury management decisions remains with the organisation at all times and will ensure that undue reliance is not placed upon our external service providers.
- 1.30 It also recognises that there is value in employing external providers of treasury management services in order to acquire access to specialist skills and resources. The Council will ensure that the terms of their appointment and the methods by which their value will be assessed are properly agreed and documented, and subjected to regular review.

**2 The Capital Prudential Indicators 2024/25 actuals and 2025/26 to 2028/29 estimates**

Introduction

- 2.1 The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure and Financing

- 2.2 This prudential indicator is a summary of the Council's capital expenditure plans, both those agreed previously, and those forming part of this budget cycle. Members are asked to approve the capital expenditure forecasts:

Capital Expenditure	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
Non-HRA	13.780	18.321	3.564	3.081	3.124
HRA	22.770	21.414	27.192	13.110	12.872
<b>Total</b>	<b>36.550</b>	<b>39.735</b>	<b>30.756</b>	<b>16.191</b>	<b>15.996</b>

- 2.3 The table below summarises the above capital expenditure plans and how these plans are being financed by capital or revenue resources. Any shortfall of resources results in a funding borrowing need.

Financing of capital expenditure	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
Capital receipts reserve	5.364	8.292	13.300	3.617	3.165
Grants and Contributions	11.755	9.190	3.475	0.975	0.975
Reserves	16.819	16.369	13.981	11.599	11.856
Net financing need for the year	2.612	5.885	0	0	0

The Council's Borrowing Need (the Capital Financing Requirement)

- 2.4 The second prudential indicator is the Council's Capital Financing Requirement (CFR). The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of Council's underlying borrowing need. Any capital expenditure above, which has not immediately been paid for, will increase the CFR.
- 2.5 The CFR does not increase indefinitely, as the minimum revenue provision (MRP) is a statutory annual revenue charge which broadly reduces the borrowing need in line with each asset life, and so charges the economic consumption of capital assets as they are used.
- 2.6 The CFR includes any other long-term liabilities (e.g. PFI schemes, finance leases). Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of schemes include a borrowing facility and so the Council is not required to separately borrow for these schemes. The Council currently has no such schemes within the CFR.
- 2.7 The Council is asked to approve the CFR projections below:

## Appendix A

	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
<b>Capital Financing Requirement</b>					
Closing CFR – Non Housing	16.597	27.863	27.251	26.642	26.038
Closing CFR - Housing	83.516	80.294	77.072	73.850	70.628
<b>Total CFR</b>	<b>100.113</b>	<b>108.157</b>	<b>104.323</b>	<b>100.492</b>	<b>96.666</b>
Opening CFR	101.005	100.113	108.157	104.323	100.492
Movement in CFR	0.892	(8.044)	3.834	3.831	3.826

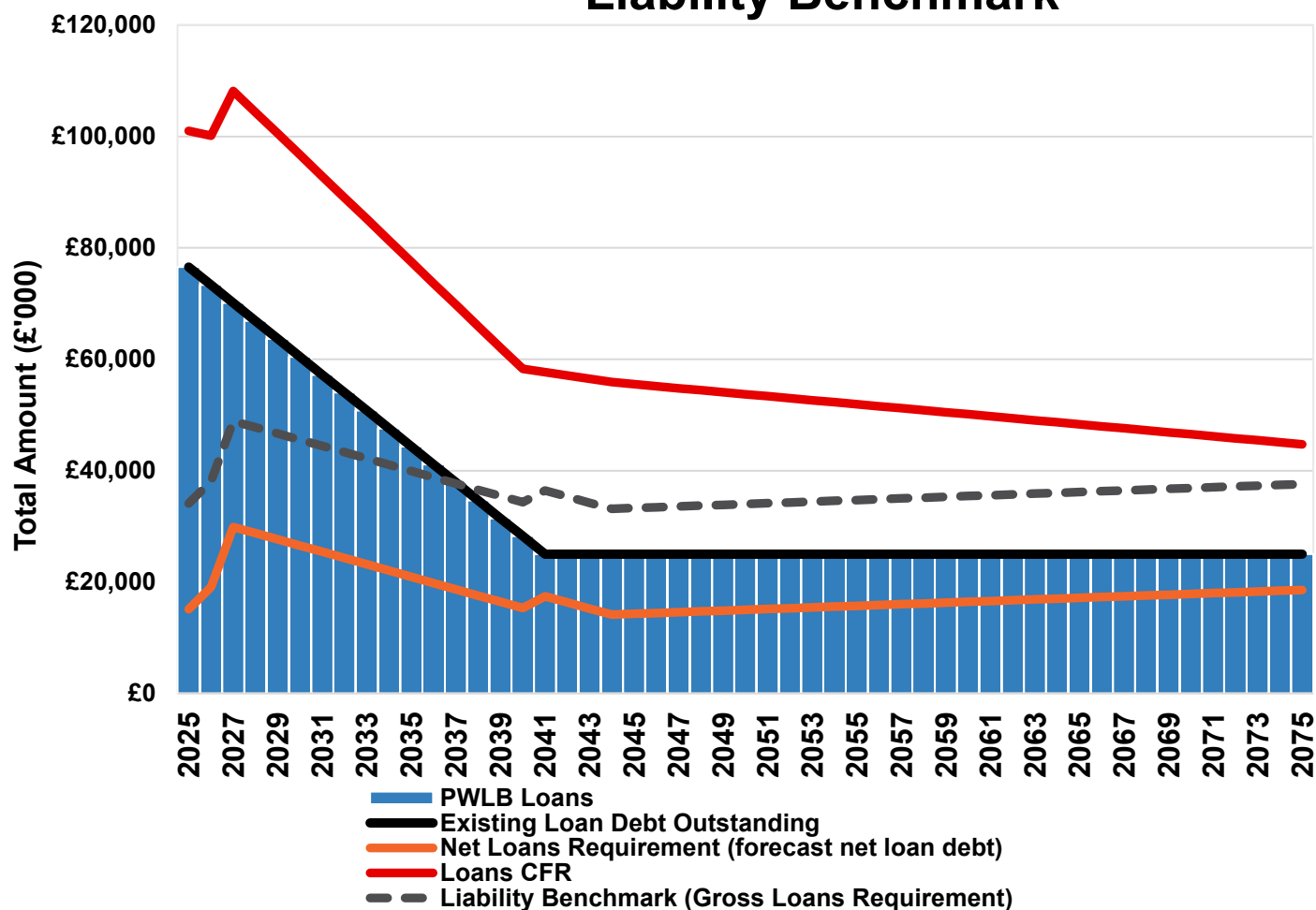
	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
<b>Movement in CFR represented by</b>					
Net financing need for the year	2.612	11.667	0	0	0
Repayment of HRA Borrowing	(3.222)	(3.222)	(3.222)	(3.222)	(3.222)
Less MRP/VRP and other financing movements	(0.282)	(0.401)	(0.612)	(0.609)	(0.604)
Movement in CFR	(0.892)	8.044	(3.834)	(3.831)	(3.826)

## Liability Benchmark

2.8 The Council is required to estimate and measure the LB for the forthcoming year and the following two years, as a minimum. There are four components to the LB:

- **Existing loan debt outstanding:** the Council's existing loans that are still outstanding in future years.
- **Loans CFR:** this is calculated in accordance with the loans CFR definition in the Prudential Code and projected into the future based on approved prudential borrowing and planned MRP.
- **Net loans requirement:** this will show the Council's gross loan debt less treasury management investments at the last financial year-end, projected into the future and based on its approved prudential borrowing, planned MRP and any other major cash flows forecast.
- **Liability Benchmark (or gross loans requirement):** this equals net loans requirement plus short-term liquidity allowance.

## Liability Benchmark



Core Funds and Expected Investment Balances

- 2.9 The application of resources (capital receipts, reserves etc.) to either finance capital expenditure or other budget decisions to support the revenue budget will have an ongoing impact on investments unless resources are supplemented each year from new sources (asset sales etc.). Detailed below are estimates of the year end balances for each resource and anticipated day to day cash flow balances.

Year End Resources	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
General Fund balances	24.089	18.886	21.608	20.009	17.582
Capital reserves – General Fund	4.589	2.332	1.131	0.514	0.349
Capital reserves – HRA	11.573	12.038	2.416	1.643	0.285
HRA reserve	7.261	3.954	3.854	3.754	3.654
Major Repairs Reserve	15.316	10.508	4.985	2.529	2.796
<b>Total Core Funds</b>	<b>62.828</b>	<b>47.718</b>	<b>33.994</b>	<b>28.449</b>	<b>24.666</b>
Working Capital - GF*	2.535	2.535	2.535	2.535	2.535
Working Capital - HRA*	1.573	3.005	2.871	3.143	1.749
<b>Expected Investments</b>	<b>64.035</b>	<b>58.647</b>	<b>46.329</b>	<b>36.764</b>	<b>31.539</b>

Working capital balances shown are estimated year end; these may be higher mid-year.

### 3 Borrowing

- 3.1 The capital expenditure plans set out in Section 2 provide details of the service activity of the Council. The treasury management function ensures that the Council's cash is organised in accordance with the relevant professional Codes, so that sufficient cash is available to meet this service activity. This will involve both the organisation of the cash flow and where capital plans require, the organisation of appropriate borrowing facilities. The strategy covers the relevant treasury / prudential indicators, the current and projected debt positions and the Annual Investment Strategy.

#### Current Portfolio Position

- 3.2 The overall treasury management portfolio as at 31 March 2025 and the position as at 31 December 2025 are shown below for both borrowing and investments.

	Balance at 31 March 2025 £'000	Balance at 31 December 2025 £'000
<b>Deposits with Banks and Financial Institutions</b>		
<b>Banks</b>		
Lloyds Bank Plc	5,000	0
Santander UK Plc	10,000	0
National Bank of Canada	5,000	0
Standard Chartered Bank	9,000	7,000
Helaba	0	13,000
<b>Building Societies</b>		
Newcastle BS	2,000	0
<b>Local Authorities</b>		
Highland Council	5,000	5,000
Reading Borough Council	3,000	0
Plymouth City Council	5,000	5,000
Lancashire County Council	5,000	5,000
Surrey Heath Borough Council	0	5,000
Leeds City Council	0	5,000
<b>Money Market Funds</b>		
Aberdeen Standard	5,000	0
LGIM	5,000	1,022
BNP Paribas	767	0
Invesco	0	530
Federated Prime MMF	0	3,428
<b>Property Funds</b>		
CCLA Property Fund	3,000	3,000
<b>Total Treasury Investments</b>	<b>62,767</b>	<b>52,980</b>



<b>External Borrowing</b>		
PWLB	(79,769)	(79,769)
<b>Total External Borrowing</b>	<b>(79,769)</b>	<b>(79,769)</b>
<b>Net Treasury Investments/(Borrowing)</b>	<b>(17,002)</b>	<b>(26,789)</b>

- 3.3 The Council's forward projections for borrowing are summarised in the table below. The table shows the actual external debt, against the underlying capital borrowing need, (the Capital Financing Requirement - CFR), highlighting any over or under borrowing.

Year End Resources	2024/25 Actual Outturn £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028//29 Estimate £m
<b>External Debt</b>					
Existing Debt at 1 April	76.547	73.325	70.103	66.881	63.659
Expected change in debt	0	0	0	0	0
HRA Settlement	(3.222)	(3.222)	(3.222)	(3.222)	(3.222)
<b>Debt at 31 March</b>	<b>73.325</b>	<b>70.103</b>	<b>66.881</b>	<b>63.659</b>	<b>60.437</b>
<b>Closing CFR</b>	<b>101.005</b>	<b>100.113</b>	<b>108.157</b>	<b>104.327</b>	<b>100.501</b>
<b>Under / (over) borrowing</b>	27.680	30.010	41.276	40.668	40.064

- 3.4 Within the prudential indicators there are a number of key indicators to ensure that the Council operates its activities within well-defined limits. One of these is that the Council needs to ensure that its gross debt does not, except in the short term, exceed the total of CFR in the preceding year plus the estimates of any additional CFR for 2026/27 and the following two financial years. This allows some flexibility for limited early borrowing for future years, but ensures that borrowing is not undertaken for revenue purposes.
- 3.5 The Section 151 Officer reports that the Council complied with this prudential indicator in the current year and does not envisage difficulties for the future. This view takes into account current commitments, existing plans, and the proposals in this budget report.

Treasury Indicators: Limits to Borrowing Activity

- 3.6 The operational boundary and authorised limit have been maintained at prior year levels as they are deemed sufficient to facilitate the delivery of the economic regeneration projects and essential service delivery infrastructure. Any capital schemes that have borrowing implications will be fully evaluated to identify the overall impact on the prudential indicators.

**3.7 The Operational Boundary.**

This is the limit beyond which external debt is not normally expected to exceed. In most cases, this would be a similar figure to the CFR but may be lower or higher depending on the levels of actual debt and the ability to fund under-borrowing by other cash resources.

Operational Boundary	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund	22.000	23.000	24.000	24.000
HRA	100.000	100.000	100.000	100.000
Other long-term liabilities	0.000	0.000	0.000	0.000
<b>Total</b>	<b>122.000</b>	<b>123.000</b>	<b>124.000</b>	<b>124.000</b>

- 3.8 The operational boundary will be reviewed on an individual project basis as required.

**3.9 The Authorised Limit for External Debt**

This is a key prudential indicator and represents a control on the maximum level of borrowing. This represents a limit beyond which external debt is prohibited, and this limit needs to be set or revised by the full Council. It reflects the level of external debt which, while not desired, could be afforded in the short term, but is not sustainable in the longer term.

- 3.10 This is the statutory limit determined under section 3 (1) of the Local Government Act 2003. The Government retains an option to control either the total of all councils' plans, or those of a specific council, although no control has yet been exercised.

- 3.11 The Council is asked to approve the following authorised limit:

Authorised limit	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
General Fund	40.000	41.000	42.000	42.000
HRA	115.000	115.000	115.000	115.000
Other long-term liabilities	0.000	0.000	0.000	0.000
<b>Total</b>	<b>155.000</b>	<b>156.000</b>	<b>157.000</b>	<b>157.000</b>

### Prospects for Interest Rates

3.12 The Council utilises the services of MUFG Corporate Markets as its treasury advisor and part of their service is to assist the Council to formulate a view on interest rates. The following table gives their current central view:

Annual Average %	Bank Rate	PWLB Borrowing Rates (including certainty rate adjustment)		
		5 year	25 year	50 year
Mar 2026	3.75	4.60	5.80	5.60
Jun 2026	3.50	4.50	5.70	5.50
Sep 2026	3.50	4.30	5.60	5.40
Dec 2026	3.25	4.20	5.50	5.30
Mar 2027	3.25	4.10	5.50	5.30
Jun 2027	3.25	4.10	5.40	5.20
Sep 2027	3.25	4.10	5.30	5.10
Dec 2027	3.25	4.10	5.30	5.10
Mar 2028	3.25	4.10	5.30	5.10
Jun 2028	3.25	4.10	5.20	5.00
Sep 2028	3.25	4.10	5.20	5.10
Dec 2028	3.25	4.10	5.20	5.00
Mar 2029	3.25	4.10	5.20	5.00

- 3.13 The PWLB forecasts are based on the Certainty Rate (minus 20 bps) which has been accessible to most authorities since 1 November 2012.
- 3.14 MUFG Corporate Markets forecast has been revised to price in a rate cut in Q2 2026 to 3.5%, likely to take place in the wake of a significant fall in the CPI inflation reading from 3% in March to 2% in April (as forecast by Capital Economics), followed by a short lull through the summer whilst more data is garnered, and then a further rate cut to 3.25% in Q4.

### Borrowing Strategy 2026/27 – 2028/29

- 3.15 The Council is currently maintaining an under-borrowed position. This means that the capital borrowing need, (the Capital Financing Requirement), has not been fully funded with loan debt as cash supporting the Authority's reserves, balances and cash flow has been used as a temporary measure. This strategy is prudent as medium and longer dated borrowing rates are expected to fall from their current levels, albeit only once prevailing inflation concerns are addressed by restrictive near-term monetary policy. That is, Bank Rate remains relatively elevated in 2026 even if some rate cuts arise.
- 3.16 When the Council is considering undertaking borrowing to fund the capital programme, projects or to fund future debt maturities a clear business case must be developed. The business case will need to take into consideration, the revenue consequences of the borrowing including interest payable, MRP and any future income to be generated from the project. Borrowing can then be undertaken where there is a clear business case and affordability is demonstrated.
- 3.17 Against this background and the risks within the economic forecast, caution will be adopted with the 2026/27 treasury operations. The Section 151 and Deputy Section 151 Officers will monitor interest rates in financial markets and adopt a pragmatic approach to changing circumstances:
- if it was felt that there was a significant risk of a sharp FALL in borrowing rates then borrowing will be postponed.
  - if it was felt that there was a significant risk of a much sharper RISE in borrowing rates than that currently forecast, fixed rate funding will be drawn whilst interest rates are lower than they are projected to be in the next few years.
- 3.18 The option of postponing borrowing and running down investment balances will also be considered. This would reduce counterparty risk and hedge against the expected fall in investments returns.
- 3.19 Any borrowing decisions will be reported to the Governance and Audit Committee at the next available opportunity.

Policy on Borrowing in Advance of need

- 3.20 The Council will not borrow more than or in advance of its needs purely in order to profit from the investment of the extra sums borrowed. Any decision to borrow in advance will be within forward approved Capital Financing Requirement estimates, and will be considered carefully to ensure that value for money can be demonstrated and that the Council can ensure the security of such funds.
- 3.21 The Section 151 or Deputy Section 151 Officer may do this under delegated power where, for instance, a sharp rise in interest rates is expected, and so borrowing early at fixed interest rates will be economically beneficial or meet budgetary constraints. Whilst the Section 151 or Deputy section 151 Officer will adopt a cautious approach to any such borrowing, where there is a clear business case for doing so borrowing may be undertaken to fund the approved capital programme or to fund future debt maturities. Borrowing in advance of need will be made within the constraints that:
- It will be limited to no more than 30% of the expected increase in borrowing need (CFR) over the three-year planning period; and
  - The Council would not look to borrow more than 24 months in advance of need.
- 3.22 Risks associated with any borrowing in advance activity will be subject to prior appraisal and subsequent reporting through the mid-year or annual reporting mechanism.

Debt Rescheduling

- 3.23 Rescheduling of current borrowing in our debt portfolio is unlikely to occur as there is still a very large difference between premature redemption rates and new borrowing rates.
- 3.24 If rescheduling was done, it will be reported to the Governance and Audit Committee at the earliest meeting following its action.

New financial institutions as a source of borrowing and/or types of borrowing

- 3.25 Currently the PWLB Certainty Rate is set at gilts + 80 basis points for both HRA and non-HRA borrowing. However, consideration may still need to be given to sourcing funding from the following sources for the following reasons:
- Local authorities (primarily shorter dated maturities)
  - Financial institutions (primarily insurance companies and pension funds but also some banks, out of spot or forward dates where the objective is to avoid a “cost of carry” or to achieve refinancing certainty over the next few years)
  - National Wealth Fund (possibly still a viable alternative depending on market circumstances prevailing at the time).
- 3.26 Our advisors will keep us informed as to the relative merits of each of these alternative funding sources.

Approved Sources of Long and Short term Borrowing

<b>On Balance Sheet</b>	<b>Fixed</b>	<b>Variable</b>
PWLB	●	●
National Wealth Fund	●	●
Local authorities	●	●
Banks	●	●
Pension funds	●	●
Insurance companies	●	●
Market (long-term)	●	●
Market (temporary)	●	●
Market (LOBOs)	●	●
Stock issues	●	●
Local temporary	●	●
Local/Community Municipal Bonds	●	
Local authority bills	●	●
Overdraft		●
Negotiable Bonds	●	●
Internal (capital receipts & revenue balances)	●	●
Commercial Paper	●	
Medium Term Notes	●	
Finance leases	●	●

#### **4 Annual Investment Strategy**

Investment Policy and Counterparty Selection Criteria

- 4.1 The Ministry of Housing, Communities and Local Government (MHCLG) and CIPFA have extended the meaning of ‘investments’ to include both financial and non-financial investments. This report deals solely with treasury (financial) investments, (as managed by the treasury management team). Non-financial investments, essentially the purchase of income yielding assets and service investments, are covered in the Capital Strategy.
- 4.2 The Council’s investment policy has regard to the following:
- MHCLG’s Guidance on Local Government Investments (“the Guidance”),
  - CIPFA Treasury Management in Public Services Code of Practice and Cross Sectoral Guidance Notes 2021 (“the Code”)
  - CIPFA Treasury Management Guidance Notes 2021.
- 4.3 The Council’s investment priorities will be security first, portfolio liquidity second, then yield (return). The Council will aim to achieve the optimum return (yield) on its investments commensurate with proper levels of security and liquidity and with regard to the Council’s risk appetite.

- 4.4 In the current economic climate, it is considered appropriate to maintain a degree of liquidity to cover cash flow needs but to also consider “laddering” investments for periods up to 12 months with high credit rated financial institutions, whilst investment rates remain elevated.
- 4.5 The above guidance from the MHCLG and CIPFA places a high priority on the management of risk. This Council has adopted a prudent approach to managing risk and defines its risk appetite by the following means:
- the Council applies minimum acceptable credit criteria in order to generate a list of highly creditworthy counterparties which also enables diversification and thus avoidance of concentration risk. The key ratings used to monitor counterparties are the Short Term and Long Term ratings.
  - Ratings will not be the sole determinant of the quality of an institution; it is important to continually assess and monitor the financial sector on both a micro and macro basis and in relation to the economic and political environments in which institutions operate. The assessment will also take account of information that reflects the opinion of the markets. To this end the Council will engage with its advisors to maintain a monitor on market pricing such as “credit default swaps” and overlay that information on top of the credit ratings.
  - Other information sources used will include the financial press, share price and other such information pertaining to the banking sector in order to establish the most robust scrutiny process on the suitability of potential investment counterparties.
  - Investment instruments identified for use in the financial year are listed in Appendix 3 under the ‘specified’ and ‘non-specified’ investment categories. Counterparty limits will be as set through the Council’s treasury management practices-schedules.
    - **Specified investments** are those with a high credit quality and subject to a maturity of one year or have less than a year left to run to maturity, if originally they were classified as being non-specified investments solely due to the maturity period exceeding one year.
    - **Non-specified investments** are those with less high credit quality, may be for periods in excess of one year, and/or are more complex instruments which require greater consideration by members and officers being authorised for use.
  - **Non-specified and loan investment limits.** The Council had determined that it will set a limit to the maximum exposure of the total treasury management investment portfolio to non-specified investments of 35%.
  - **Lending limits**, (amounts and maturity), for each counterparty will be set through applying the limits in Appendix 3.

- **Transaction limits** are set for each type of investment in Appendix 3.
  - This Council will set a limit for its investments which are invested for **longer than 365 days** (see paragraph 4.20).
  - This Council has engaged **external consultants** (see paragraph 1.28), to provide expert advice on how to optimise an appropriate balance of security, liquidity and yield, given the risk appetite of this Council in the context of the expected level of cash balances and need for liquidity throughout the year.
  - All investments will be denominated in **sterling**.
  - As a result of the change in accounting standards under IFRS 9, this Authority will consider the implications of investment instruments which could result in an adverse movement in the value of the amount invested and resultant charges at the end of the year to the General Fund. In November 2018, the MHCLG concluded a consultation for a temporary override to allow English local authorities time to adjust their portfolio of all pooled investments by announcing a statutory override to delay implementation of IFRS 9 for five years ending 31 March 2023. More recently, a further extension to the over-ride to 31 May 2029 has been agreed by Government.
- 4.6 This Council will also pursue **value for money** in treasury management and will monitor the yield from investment income against appropriate benchmarks for investment performance (see paragraph 4.22). Regular monitoring of investment performance will be carried out during the year.

### Creditworthiness policy

- 4.7 This Council applies the creditworthiness service provided by MUFG Corporate Markets. This service employs a sophisticated modelling approach utilising credit ratings from the three main credit rating agencies - Fitch, Moody's and Standard and Poor's. The credit ratings of counterparties are supplemented with the following overlays:
- credit watches and credit outlooks from credit rating agencies;
  - CDS spreads to give early warning of likely changes in credit ratings;
  - sovereign ratings to select counterparties from only the most creditworthy countries.
- 4.8 This modelling approach combines credit ratings, credit watches and credit outlooks in a weighted scoring system which is then combined with an overlay of CDS spreads for which the end product is a series of colour coded bands which indicate the relative creditworthiness of counterparties. These colour codes are used by the Council to determine the suggested duration for investments. The Council will therefore use counterparties within the following durational bands:



- Yellow 5 years \*
- Dark pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.25
- Light pink 5 years for Ultra-Short Dated Bond Funds with a credit score of 1.5
- Purple 2 years
- Blue 1 year (only applies to nationalised or semi nationalised UK Banks)
- Orange 1 year
- Red 6 months
- Green 100 days
- No colour not to be used

Y	Pi1	Pi2	P	B	O	R	G	N/C	
1	1.25	1.5	2	3	4	5	6	7	4.9
Up to 5yrs	Up to 5yrs	Up to 5yrs	Up to 2yrs	Up to 1yr	Up to 1yr	Up to 6mths	Up to 100days	No Colour	

The MUFG Corporate Markets creditworthiness service uses a wider array of information other than just primary ratings. Furthermore, by using a risk weighted scoring system, it does not give undue importance to just one agency's ratings.

- 4.10 Typically the minimum credit ratings criteria the Council uses will be a Short Term rating (Fitch or equivalents) of F1 and a Long Term rating of A-. There may be occasions when the counterparty ratings from one agency are marginally lower than these ratings but may still be used. In these instances consideration will be given to the whole range of ratings available, or other topical market information, to support their use.
- 4.11 All credit ratings are monitored daily. The Council is alerted to changes to ratings of all three agencies through its use of the MUFG Corporate Markets creditworthiness service.
- if a downgrade results in the counterparty/investment scheme no longer meeting the Council's minimum criteria, its further use as a new investment will be withdrawn immediately.
  - in addition to the use of credit ratings the Council will be advised of information in movements in credit default swap spreads against the iTraxx European Financials benchmark and other market data on a weekly basis via its Passport website, provided exclusively to it by MUFG Corporate Markets. Extreme market movements may result in downgrade of an institution or removal from the Council's lending list.
- 4.12 Sole reliance will not be placed on the use of this external service. In addition this Council will also use market data and market information, as well as information on any external support for banks to help support its decision making process.
- 4.13 The Treasury Management Officer will use the MUFG Corporate Markets Credit Rating weekly listing as a tool for guidance, with the option to deviate from this guidance only when there are clear alternative options that are available to the

Council. Any decision of this nature should be clearly documented for audit purposes.

- 4.14 Significant levels of downgrades to Short and Long-Term credit ratings have not materialised since the crisis in March 2020. In the main, where they did change, any alterations were limited to Outlooks. Nonetheless, when setting minimum sovereign debt ratings, this Council will not set a minimum rating for the UK.

### Investment Strategy

- 4.15 **In-house funds.** Investments will be made with reference to the core balance and cash flow requirements and the outlook for short-term interest rates (i.e. rates for investments up to 12 months). Greater returns are usually obtainable by investing for longer periods. The current shape of the yield curve suggests that rates can be expected to fall throughout 2026, but only if the CPI measure of inflation maintains a downwards trend towards the Bank of England's 2% target. Rates may be cut quicker than expected if the economy stagnates.
- 4.16 While most cash balances are required in order to manage the councils cashflow, where cash sums can be identified that could be invested for longer periods, the value to be obtained from longer term investments will be carefully assessed.
- If it is thought that Bank Rate is likely to rise significantly within the time horizon being considered, then consideration will be given to keeping most investments as being short term or variable.
  - Conversely, if it is thought that Bank Rate is likely to fall within that time period, consideration will be given to locking in higher rates currently obtainable, for longer periods.

### Investment returns expectations.

- 4.17 The current forecast shown in paragraph 3.12 includes a forecast for Bank Rate to fall to a low of 3.25% in 2026.
- 4.18 The suggested budgeted investment earnings rates for returns on investments placed for periods up to about three months during each financial year are as follows (the long-term forecast is for periods over 10 years in the future):

Average earnings in each year	MUFG Corporate Markets	Budgeted*
2025/26	3.80%	4.50%
2026/27	3.40%	3.50%
2027/28	3.30%	3.25%
2028/29	3.30%	3.00%
2029/30	3.50%	n/a
Year 6 onwards	3.50%	n/a

4.19 **Investment treasury indicator and limit** - total principal funds invested for greater than 365 days. These limits are set with regard to the Council's liquidity requirements and to reduce the need for early sale of an investment, and are based on the availability of funds after each year-end.

4.20 The Council is asked to approve the treasury indicator and limit: -

Maximum principal sums invested > 365 days			
	2026/27 £m	2027/28 £m	2028/29 £m
Principal sums invested > 365 days	15.000	15.000	15.000

4.21 For its cash flow generated balances, the Council will seek to utilise its instant access and notice accounts, money market funds and short-dated deposits, (overnight to 100 days), in order to benefit from the compounding of interest.

**Investment Risk Benchmarking**

4.22 These benchmarks are simple guides to maximum risk, so may be breached from time to time, depending on movements in interest rates and counterparty criteria. The purpose of the benchmark is that officers will monitor the current and trend position and amend the operational strategy to manage risk as conditions change. Any breach of the benchmarks will be reported, with supporting reasons in the Mid-Year or Annual Report.

**Security** - The Council's maximum security risk benchmark for the current portfolio, when compared to these historic default tables, is:

- 0.010% historic risk of default when compared to the whole portfolio.

**Liquidity** – In respect of this area the Council seeks to maintain:

- Bank overdraft - £0.5m
- Liquid short-term deposits of at least £12m available with a week's notice.
- Weighted Average Life benchmark is not expected to exceed a maximum of 1 year.

**Yield** - Local measures of yield benchmarks are:

- Investments – Internal returns above the 7-day compounded SONIA rate
- Investments – External fund managers - returns 110% above 7-day compounded SONIA

4.23 And in addition, that the security benchmark for each individual year is:

	1 year	2 years	3 years	4 years	5 years
Maximum	0.05%	0.14%	0.26%	0.38%	0.54%

Note: This benchmark is an average risk of default measure (potential loss on investments) and would not constitute an expectation of loss against a particular investment.

End of year Investment Report

- 4.24 At the end of the financial year, the Council will report on its investment activity as part of its Annual Treasury Report.

## Appendix 1

### THE MRP STATEMENT

#### **Minimum Revenue Provision (MRP) Policy Statement**

Under Regulation 27 of the Local Authorities (Capital Finance and Accounting) (England) Regulations 2003, where the Council has financed capital expenditure by borrowing it is required to make a provision each year through a revenue charge (MRP).

The Council is required to calculate a prudent provision of MRP which ensures that the outstanding debt liability is repaid over a period that is reasonable commensurate with that over which the capital expenditure provides benefits. The MRP Guidance (2018) gives four ready-made options for calculating MRP, but the Council can choose any other reasonable basis that it can justify as prudent.

The MRP policy statement required full council approval in advance of each financial year.

The Council is recommended to approve the following MRP Statement:

For capital expenditure incurred before 1 April 2008 which forms part of the supported capital expenditure, the MRP policy will be:

- **4% reducing balance (regulatory method)** – MRP will follow the historical practice outlined in former regulations as 4% of the opening General Fund CFR balance less adjustment A.

From 1 April 2008 for all unsupported borrowing the MRP policy will be:

- **Asset life method** – MRP will be based on the estimated life of the assets.

Capital expenditure incurred during 2025/26 will not be subject to an MRP charge until 2026/27, or in the year after the asset becomes operational.

The Council will apply the asset life method for any expenditure capitalised under the Capitalisation Direction.

There is no requirement on the HRA to make a minimum revenue provision but there is a requirement for a charge for depreciation to be made.

MRP in respect of assets acquired under Finance Leases or PFI will be charged at an amount equal to the principal element of the annual repayment. For capital expenditure on loans to third parties where the principal element of the loan is being repaid in annual instalments, the capital receipts arising from the principal loan repayments will be used to reduce the CFR instead of MRP.

Where no principal repayment is made in a given year, MRP will be charged at a rate in line with the life of the assets funded by the loan.

**MRP Overpayments** – Under the MRP guidance, any charges made in excess of the statutory MRP can be made, known as voluntary revenue provision (VRP).

VRP can be reclaimed in later years if deemed necessary or prudent.

## Appendix 2

**CAPITAL PRUDENTIAL AND TREASURY INDICATORS 2026/27 – 2028/29**

The Council's capital expenditure plans are the key driver of treasury management activity. The output of the capital expenditure plans is reflected in the prudential indicators, which are designed to assist members' overview and confirm capital expenditure plans.

Capital Expenditure	2024/25 Actual £m	2025/26 Estimate £m	2026/27 Estimate £m	2027/28 Estimate £m	2028/29 Estimate £m
Corporate	1.743	1.380	0.975	0.975	0.975
Finance	5.916	11.945	2.309	1.936	2.099
Growth & Culture	4.748	2.112	0.225	0.120	0
Housing & Property	1.373	2.884	0.055	0.050	0.050
<b>Non-HRA</b>	<b>13.780</b>	<b>18.321</b>	<b>3.564</b>	<b>3.081</b>	<b>3.124</b>
<b>HRA</b>	<b>22.770</b>	<b>21.414</b>	<b>27.192</b>	<b>13.110</b>	<b>12.872</b>
<b>Total</b>	<b>36.550</b>	<b>39.735</b>	<b>30.756</b>	<b>16.191</b>	<b>15.996</b>

**Affordability Prudential Indicators**

The previous sections cover the overall capital and control of borrowing prudential indicators, but within this framework prudential indicators are required to assess the affordability of the capital investment plans. These provide an indication of the impact of the capital investment plans on the Council's overall finances. The Council is asked to approve the following indicators:

**Ratio of financing costs to net revenue stream**

This indicator identifies the trend in the cost of capital (borrowing and other long-term obligation costs net of investment income) against the net revenue stream.

%	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
Non-HRA	(8.29)	(3.79)	(5.56)	(6.66)	(5.63)
HRA	(1.91)	0.95	2.76	3.90	4.06

The estimates of financing costs include current commitments and the proposals in this budget report.

## HRA Ratios

	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA debt £m	76.547	73.325	70.103	66.881	63,659
HRA Revenues £m	30.728	31.082	32.304	33.418	34.466
Ratio of debt to revenues	2.49	2.36	2.17	2.00	1.85

	2024/25 Actual	2025/26 Estimate	2026/27 Estimate	2027/28 Estimate	2028/29 Estimate
HRA debt £m	76.547	73.325	70.103	66.881	63,659
Number of HRA dwellings	5,835	5,805	5,846	5,857	5,862
Debt per dwelling £	13,119	12,631	11,992	11,419	10,860

## Maturity Structure of Borrowing

Maturity structure of borrowing. These gross limits are set to reduce the Council's exposure to large fixed rate sums falling due for refinancing and are required for upper and lower limits.

Maturity structure of fixed interest rate borrowing 2026/27		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	50%
5 years to 10 years	0%	60%
10 years and above	0%	80%
Maturity structure of variable interest rate borrowing 2025/26		
	Lower	Upper
Under 12 months	0%	20%
12 months to 2 years	0%	20%
2 years to 5 years	0%	20%
5 years to 10 years	0%	20%
10 years and above	0%	20%

### Appendix 3

#### Treasury Management Practice (TMP) 1 – Credit and Counterparty Risk Management

The investment policy proposed for the Council is:

**Strategy Guidelines** – The main strategy guidelines are contained in the body of the treasury strategy statement.

**Specified Investments** – all such investments will be sterling denominated, with maturities up to maximum 1 year, meeting the ‘high’ quality criteria where applicable.

**Table A – Specified Investments**

	<b>Specified Investments Category</b>	<b>Limit</b>
a	<p><b>A body of high credit quality</b>, this category includes the following –</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Any bank or building society using Sector Creditworthiness service, following the suggested duration on the list up to a maximum of 365 days.</li> </ul>	<p><b>£15m per institution</b> or a maximum of <b>30% of total investment</b> (whichever is the greatest), <b>£15m per corporate group</b></p>
b	<b>The UK Government</b> (such as the Debt Management Account deposit facility, UK Treasury Bills or a Gilt with less than one year to maturity)	no amount limit
c	<b>UK local authorities, Parish Council or Community Council</b>	<b>£5m per institution</b>
d	<p><b>Pooled investment vehicles</b> (such as money market funds) that have been awarded a high credit rating by a credit rating agency. This category covers pooled investment vehicles, such as money market funds, rated AAA by Standard and Poor’s, Moody’s or Fitch rating agencies.</p> <p>MHCLG Investment Guidance specifies that Money Market Funds with high credit ratings are classified as Specified Investment. These funds are instant access investment. There is possibility that part of the investment may be exposed to counterparties the Council would not approve normally or invest directly. The counterparty risk is mitigated by that –</p> <ul style="list-style-type: none"> <li>• The Fund Managers diversify investment in a range of counterparties;</li> </ul>	<b>£5m per fund</b>



	<ul style="list-style-type: none"> <li>• The Funds are instant access;</li> <li>• The Council only invests in funds rated AAA;</li> <li>• MHCLG Investment Guidance classifying such funds as Specified Investment.</li> </ul>	
e	<b>Enhanced Money Market Funds</b> These are similar to normal money market funds but operate on a variable rate basis. The selection criteria will be on the same basis as the pooled investment vehicles with only funds rated AAA by Standard and Poor's, Moody's or Fitch rating agencies being used.  In addition to this only EMMF's with a credit score of 1.25 and above will be used.	£5m per fund
f	<b>Ultra Short Dated Bond Funds</b> These are similar to normal money market funds but operate on a variable rate basis. The selection criteria will be on the same basis as the pooled investment vehicles with only funds with a credit score of 1.25 and rated AAA by Standard and Poor's, Moody's or Fitch rating agencies being used.	£5m per fund
g	<b>Corporate Bond Funds</b>	£5m per fund

**Non-Specified Investments** – These are any investments which do not meet the specified investment criteria. Amounts invested with any one corporate group shall not exceed £5m (with the exception of the Councils own bank and the top 10 rated building societies).

Amounts invested in non-specified fixed term investments would normally not exceed 35% of the total Invested. The Section 151 or Deputy Section 151 has the discretion if required to exceed this, and the limits detailed below, should the rate of return on Investment be beneficial to the council. Any decision will be based on taking into account current and future market conditions as well as counterparty strength and rating. If these circumstances are required this will be reported back to the Governance and Audit Committee through the annual reporting cycle.

The table below is not an exhaustive list of all non-specified investments; further options are identified in the narrative section within the strategy.

Table B – Non Specified Investments

	Non Specified Investment Category	Limit
a.	<b>Any institutions meeting the criteria set out for Specified Investments</b> , with a maturity of greater than 1 year following the suggested duration on the list up to a maximum of 5 years.  (including forward deals in excess of one year from inception to repayment).	<b>£4m</b> maximum of <b>3-years</b> per institution
b.	<b>Council's Bank</b> – Should it fail to meet the basic credit criteria, monies will be restricted to instant access and will be minimised as far as is possible.	<b>£7m</b>
c.	<b>Top 10 building societies, by asset value</b> – The operation of some building societies does not require a credit rating, although in every other respect the security would match similarly sized societies with ratings.  The Council may use such building societies that all placed within the top 10 by asset value.	<b>£3m</b> maximum of <b>3-year investment period</b> per institution.  <b>£12m for all top 10 building societies</b>
d.	<b>UK Local Authorities, Parish Council or Community Council</b>	<b>£5m per institution</b>
e.	<b>Property funds</b> The use of these instruments can be deemed capital expenditure, and as such will be an application (spending) of capital resources. This Authority will seek guidance on the status of any fund it may consider using.	<b>£5m</b>  <b>No maximum duration period.</b>

Note: This Authority will seek further advice on the appropriateness and associated risks with investments in these categories.

**Maximum limit per institution** – The maximum limit for both specified and non-specified investments is a total of £15m per corporate group with a higher limit of £18m at the discretion of the Section 151 Officer (or deputy) where an institution is considered to be of a higher credit quality.

**The monitoring of investment counterparties** – The credit rating of counterparties will be monitored regularly. The Council receives credit rating information (changes, rating watches and rating outlooks) from MUFG Corporate Markets as and when ratings change, and counterparties are checked promptly. On occasion ratings may be downgraded when an investment has already been made. The criteria used are such that a minor downgrading should not affect the full receipt of the principle and interest. Any counterparty failing to meet the criteria will be removed from the list

immediately by the Section 151 Officer (or Deputy), and if required new counterparties which meet the criteria will be added to the list.

### **Ethical Investment Statement**

Investment guidance, both statutory and from CIPFA makes clear that all investing must adopt the key Treasury Management principles of security, liquidity and yield (SLY) in this order of priority. The Council is however committed to Environmental, Social and Governance (ESG) factors. Through our Treasury Management Strategy, in terms of ESG investment considerations, ESG metrics, will be used where appropriate and available in the credit rating agency assessments when considering investment opportunities.

Typical areas of consideration include:

- (i) Environmental: Emissions and air quality, energy and waste management, waste and hazardous material, exposure to environmental impact.
- (ii) Social: Human rights, community relations, customer welfare, labour relations, employee wellbeing, exposure to social impacts.
- (iii) Governance: Management structure, governance structure, group structure, financial transparency.

### **Local Authority Controlled Company – LACC.**

The Council has the ability to make loans to a Local Authority Controlled Company.

The criteria for a loan being made with a LACC will be that there is a clear business plan that demonstrates the affordability of the investment for the LACC.

**Use of External Fund Managers –** The Council is not restricted to placing funds with cash managers, and will manage funds in house, use fund managers, or brokers if it is appropriate to do so.

The fund managers will use both specified and non-specified investment categories and are contractually committed to keep to the Council's investment strategy. Currently the Council has an agreement with King & Shaxson, Tradition UK, Imperial Treasury and Sterling International. The fund managers are required to adhere to the following:

- All investments restricted to sterling denominated instruments;
- Amounts invested with any one institution or Corporate Group should not exceed the limits specified in Table A and Table B.
- Portfolio management is measured against the return provided by the 3-month SONIA, or in accordance with the measures specified in the contract.

The performance of investment managed by Fund Managers is reviewed at least quarterly by the Section 151 or Deputy Section 151 Officer.

**Appendix 4**

**TREASURY MANAGEMENT SCHEME OF DELEGATION**

**i. Council**

- Approval of the annual Treasury Management Strategy Statement
- Approval of the budget framework

**ii. Governance and Audit Committee**

- Review the annual Treasury Management Strategy Statement
- receiving and reviewing reports on treasury management policies, practices and activities;
- approval of/amendments to the organisation's adopted clauses, treasury management policy statement and treasury management practices which are included in the Annual Treasury Management Strategy Statement;
- receiving and reviewing regular monitoring reports and acting on recommendations;
- reviewing the treasury management policy and procedures and making recommendations to Council.

**Appendix 5**

**THE TREASURY MANAGEMENT ROLE OF THE SECTION 151 OFFICER**

The S151 (responsible) officer

- recommending clauses, treasury management policy/practices for approval, reviewing the same regularly, and monitoring compliance;
- Updating operational Treasury Management Practices which set outside those approved as part of the annual Treasury Management Strategy Statement.
- submitting regular treasury management policy reports;
- submitting budgets and budget variations;
- receiving and reviewing management information reports;
- reviewing the performance of the treasury management function;
- ensuring the adequacy of treasury management resources and skills, and the effective division of responsibilities within the treasury management function;
- ensuring the adequacy of internal audit, and liaising with external audit;
- recommending the appointment of external service providers.

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**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

## **Governance and Audit Committee**

21<sup>st</sup> January 2026

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

## **Review of Financial Regulations**

### **Report Author**

Richard Wyles, Deputy Chief Executive and s151 Officer

 [richardwyles@southkesteven.gov.uk](mailto:richardwyles@southkesteven.gov.uk)

### **Purpose of Report**

This report sets out the proposed changes to the Council's Financial Regulations which have been reviewed and updated to reflect current working practices and operating financial thresholds.

### **Recommendations**

**Governance and Audit Committee is asked to review the proposed changes and recommend the updated Financial Regulations to Council.**

### **Decision Information**

Does the report contain any exempt or confidential information not for publication?	N/a
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 The Financial Regulations provide the internal framework for managing the Council's financial arrangements and are designed to protect the finances of the Council by providing a robust set of controls and governance structures.

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

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

- 1.2 Governance and Audit Committee are asked to review any significant amendments to the Council's Financial Regulations, in line with the Committee's terms of reference at Part 2 of the Constitution (Articles of the Constitution). If changes to the document are required then Full Council would be required to agree these as a Constitutional change.

*Completed by: James Welbourn, Democratic Services Manager*

## **2. Background to the Report**

- 2.1 The Council's Financial Regulations set out the overarching framework of rules for the proper financial administration of the authority and the responsibilities of those carrying out duties with a financial implication. The Financial Regulations have been reviewed to ensure they are in line with best practice and the latest CIPFA guidance.
- 2.2 The Financial Regulations were last reviewed and updated in line with the CIPFA Good Practice Guide and were approved by Full Council on 26<sup>th</sup> May 2022. Since this review it has become necessary to review and recommend a number of minor amendments in order to ensure that the Financial Regulations support the Council operationally. The current Financial Regulations are shown at Appendix A and these have been updated. A new version of the Regulations is attached at Appendix B and the proposed changes are detailed in section 3 of this report.



- 2.3 The proposed changes to the Financial Regulations are outlined below;

### **Revenue Reserves - Discretionary and Governance**

- 2.4 Clarification is provided on the definition of reserves between discretionary and governance reserves. This clarification is provided at 11.2 of the revised Financial Regulations. Discretionary reserves are those that are established by Council to be used predominantly to fund one-off revenue expenditure in accordance with their intended use. They should not be used to fund regular expenditure in order to avoid an on-going dependency. Governance reserves are those established to deal with unforeseen or unpredictable financial stresses and strains that are outside of the Councils control. They can also 'smooth out' significant changes to funding levels announced by Government that can put undue pressure on the Council finances.

### **Authorised Limits – Appendix A of the Financial Regulations**

- 2.5 This is the area of the review that has received the most focus as operationally these levels have become out of date and in some cases obsolete. In addition some of the levels are operationally unnecessary as the new corporate finance system has a series of internal controls that safeguard the financial transactions with respect to order raising and authorisations. Due to the number of changes including levels and authorisations, the current approved Financial Regulations is provided at Appendix A for comparative purposes.
- **Virements** – this is the process whereby unallocated budgets can be moved between cost centres where additional costs may be incurred during the year. In respect of revenue, it is only permissible to move budgets between staffing costs or other expenditure to avoid salary budgets being adversely affected. In respect of capital, the virement levels have been updated to reflect the levels of budgeted expenditure levels for capital schemes. The authorisation levels have been updated to ensure there is no service disruption whilst virements requests are being considered.
  - **Additions to Budget Framework** – this authority allows for in-year budget framework changes where a proposal has arisen outside of the annual budget setting process. Authority for these changes are either a Cabinet or a Council decision subject to the financial amendment levels.
  - **Approval to use the Reserves** – this section has been updated to allow for the use of the discretionary reserves in accordance with the criteria of each reserve. The authorisation and financial levels have been updated and includes consultation with the Leader, Cabinet Member for Finance and Chief Executive.

- **Authorised Signatories** – this section is in respect to raising order and approving invoices. This is a key internal control and ensures there are clear segregation of duties between officers.
- **Bad Debt levels** – these levels have been updated to enable Team Leaders to authorise write offs of specific debt levels before the write off request is escalated to the Head of Service.

### **3. Key Considerations**

- 3.1. Members are asked to consider to changes set out in the report and supporting appendices which are designed to enable efficient and effective use of time whilst ensuring the governance of the Council is protected.

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

- 4.1 The alternative option is not to review the Financial Regulations but this is not deemed an option due to the need to ensure the levels reflect the operating environment.

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

- 5.1. The reasons for reviewing the Financial Regulations is to ensure they remain up to date and promote efficient and secure use of Council resources.

### **6. Appendices**

- 6.1 Appendix A – Financial Regulations May 2022
- 6.2 Appendix B – Financial Regulations January 2026

# Financial Regulations

May 2022



SOUTH  
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## 1. Introduction

- 1.1 Financial Regulations provide the internal framework for managing the Council's financial affairs. They apply to every Member and officer of South Kesteven District Council and anyone in the public or private sector who acts on behalf of the Authority.
- 1.2 Throughout these Financial Regulations, the title Chief Finance Officer will be used to denote the designated Section 151 Officer of the Council. The responsibilities of the Chief Finance Officer are documented within each of the specific areas listed.
- 1.3 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Council for approval.
- 1.4 It is the responsibility of Directors to ensure that all officers in their directorates are aware of the existence and content of the Council's Financial Regulations, as well as other internal regulatory documents, and also confirm that they comply with them.
- 1.5 It is the responsibility of the Chief Finance Officer to provide advice and guidance to reinforce the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

## 2. The Medium Term Financial Strategy

### What is the Medium Term Financial Strategy?

- 2.1 The **Medium Term Financial Strategy** is the plan which sets out the Authority's commitment to provide services that meet the needs of people locally and that represent good value for money. It sets out what we aim to do over the next three years, having listened to the views of our communities and considers funds available to the Council.

### Why is the Medium Term Financial Strategy important?

- 2.2 The Strategy helps us to meet our statutory responsibilities in respect of financial planning and is critical to ensuring that the Council has a clear understanding of the level of available resources, the costs of delivering existing services and plans for new services. Financial planning facilitates strategic choices around service delivery, efficiency and service reductions.
- 2.3 The Strategy is approved by Full Council and includes information on the spending plans of all services and the intended level of Council tax.

### 2.4 Key Controls

The strategy is reviewed every three years in line with the processes for reviewing and updating the Council's Corporate Strategy but updated annually to make sure it reflects:

- the most recent estimate of resources available
- the budget requirement – which may change as a result of updating estimated resources
- updated operational plans for each Council Service

- any changes in the national Local Government Funding

### **3. Revenue Budget Plan**

#### **What is the Budget Plan?**

- 3.1 The Council's budget plan is a three-year income and expenditure plan. It details all known expected expenditure and income from the delivering of Council Services and compares these requirements to the funding available. The budget plan focuses on the priorities set by Council.

#### **Why is the Budget Plan important?**

- 3.2 The budget plan helps us to meet our statutory responsibilities for financial planning. All local authorities are required to prepare a budget annually which is then approved by Full Council. This is supported by a statement by the Chief Finance Officer regarding the robustness of the budget as proposed and the adequacy of general balances and reserves.
- 3.3 The plan also helps us ensure, at a more detailed level, that resources are allocated towards the delivery of council priorities. The process of developing the budget helps us to assess and balance any gaps between what we estimate it will cost us to deliver plans, and the money available to do this.

#### **3.4 Key Controls**

Budget planning begins in July of the preceding financial year and the following year's budget proposals together with an indicative two-year budget is presented to Members in February/March at full Council.

- 3.5 Detailed estimates of costs and income are developed for each service.
- 3.6 There may be additional in-year changes agreed in line with the approved levels, if so, both these costs and any ongoing costs will need to be built into the ongoing budget plan.

#### **Responsibilities of Chief Finance Officer**

- 3.7
- To develop the budget plan on an annual basis and to ensure a balanced budget is approved.
  - To present the budget to Members for approval in February/March prior to the start of each financial year.
  - To undertake the budget plan in accordance with accounting/statutory guidance.
  - To ensure the impact of any additions to budgets in-year are understood and the impact of this change on the overall financial position of the Council
  - To ensure any additions to budgets in-year are built into future budget planning processes.

3.8

### **Responsibilities of Directors**

- To provide information that may be requested in relation to the budget plan.
- To support the budget setting process.
- To produce an accurate business case to form part of any request for additional in-year increases to budgets (see Appendix A)

4.

## **Capital Programme**

### **What is the Capital Programme?**

4.1

The Capital Programme is the budgeted plan of the capital schemes that the Authority is undertaking or planning to undertake. The development of the Capital Programme is in accordance with the Council's Capital Strategy.

Each year, Directors consider Capital schemes to be included in the Capital Programme, which are then scrutinised through an approval process before being included in the Capital Programme for consideration by Cabinet and ultimately Council.

### **Why is the Capital Programme important?**

4.2

Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. It is important that the 'Whole Life Cost' of any capital schemes are considered before approval is given, to ensure adequate funding has been identified. This is an integral part of the budget setting process.

4.3

The Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.

4.4

Having a structured approach which reviews all capital scheme proposals helps ensure that the Capital Programme links into the Council's priorities.

4.5

The Capital Programme ensures the Authority takes a structured approach to the management of its assets.

4.6

There may be additional in-year changes agreed in line with the agreed levels, if so, both these costs and any ongoing costs will need to be built into the ongoing budget plan.

4.7

### **Key Controls**

All schemes included in the Capital Programme require a business case completing which would cover:

- project overview;
- objectives and critical success factors;
- capital expenditure;

- associated revenue expenditure to be completed;
  - the source of funding to be identified.
- These are subject to a rigorous review process, culminating in approval by full Council.
  - Where appropriate, schedules of individual projects, within large schemes approved by the full Council must be submitted to Cabinet for approval.
  - The capital schemes are developed from asset management plans or invest to save schemes.
  - Accountability for each proposal is accepted by a named manager.

#### 4.8

##### **Responsibilities of Chief Finance Officer**

- To develop the capital programme on an annual basis for approval.
- To present the budget to Council for approval prior to the start of each financial year.
- To identify the funding sources of the proposed Capital Programme ensuring any revenue consequences are taken account of in the overall budget setting process.
- To determine the definition of 'capital' having regard to government regulations and accounting requirements.
- To ensure the impact of any additions to budgets in-year are understood and the impact of this change on the overall financial position of the Council.
- To ensure any additions to budgets in-year are built into future budget planning processes.

#### 4.9

##### **Responsibilities of Directors**

- Where a capital scheme is required to be included in or added to the Capital Programme, the responsible officer shall submit a capital business case for the scheme, including possible alternatives with up-to-date estimates of capital and revenue costs;
- To comply with guidance concerning capital schemes and controls.
- To ensure that adequate records are maintained for all capital contracts.
- Ensure that no capital expenditure is incurred on any scheme unless:
  - it is within the approved budget for that scheme
  - the nature of the spend is in line with the original purpose approved for the scheme



- government approval to the scheme has, where appropriate, been obtained
  - the source of funding has been identified
  - any revenue consequential expenditure which arises from the proposed capital expenditure has been accepted as a commitment by the Council
- Ensuring that the appropriate approval is obtained to incur additional capital expenditure which is to be financed wholly by additional grants or other income (see Appendix A).
  - To produce an accurate business case to form part of any request for additional in-year increases to budgets (see Appendix A)

## 5. Budget Guidance and the Budget Timetable

### What is Budget Guidance and the Budget Timetable?

- 5.1 Budget Guidance sets out what we need to do in order to prepare the Council's annual budget. The Budget Timetable outlines the timeframe against activities which will take place, including the key deadlines we ask all involved in budget preparation to follow.

### Why is Budget Guidance and the Budget Timetable important?

- 5.2 The guidance ensures that budgets are produced accurately and consistently in line with financial procedures. It also ensures that the level of detail and what is included meets legal requirements.  
The timetable ensures that the budgets are produced and approved by Council within the dates set out in legislation.

### 5.3 Key Controls

The budget guidance and timetable are produced on an annual basis

- 5.4 The guidance and timetable will focus on the following:
- The full year effect of previous year's decisions
  - Consequences of the approved capital programme
  - Adjustments in relation to specific 'one year only' allocations and other time expired funding
  - Other specific Council decisions
  - Budget assumptions on:
    - Levels of pay and the price inflation which is to be applied
    - Council Tax increase
    - Funding allocations from Central Government
    - Superannuation contribution rates
    - Levels of Discretionary fees and charges
    - Levels of Levies
  - Ensuring approval of budget by full Council

- Ensuring Council Tax is set by statutory dates
- The format complies with legal requirements and reflects the accountabilities of Service Delivery

#### 5.5 **Responsibilities of Chief Finance Officer**

- To determine the format of the budget that is approved by the Council
- To set a balanced budget in order to meet the Section 151 Officers responsibilities
- To produce and distribute the guidance and timetable on an annual basis to officers and Members
- To present the timetable to Members for approval prior to the start of the process
- To ensure returns are made to central government in line with their requirements

#### 5.6 **Responsibilities of Directors**

- To comply with the accounting guidelines and timetable provided.

## 6. **Budget Control and Monitoring**

### **What is Budget Monitoring and Control?**

- 6.1 A budget is the planned income and expenditure for a service area or cost centre. Budgetary control and monitoring is the process used by budget managers, supported by officers within Financial Services, to review revenue and capital expenditure against their budgets, and project estimated spending to the end of the financial year. Accountability is achieved through formal reporting of the budget position, carried out at agreed times, and in line with the risk ratings referred to as RAG (red, amber, green) ratings.

### **Why is Budget Monitoring and Control important?**

- 6.2 Budget monitoring ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is the process of monitoring financial activity against the financial plan and, where necessary, taking the appropriate action in a timely manner to address any movement from the plan.
- 6.3 Budget monitoring and control also provides the mechanism that calls to account managers responsible for defined elements of the budget. It is therefore key that effective processes for monitoring of budgets are in place and adhered to.
- 6.4 To assist with the above it is essential that quality information is available to budget managers to ensure that sound financial decisions can be made, especially where spending may differ from planned expenditure.

6.5 To ensure that the Authority in total does not overspend, each Service is required to manage its own expenditure within the budget allocated to it.

6.6 **Key Controls**

- Budget managers should be responsible only for income and expenditure that they can influence.
- There is a nominated budget manager for each cost centre heading.
- Budget managers accept accountability for their budgets, the level of service to be delivered and understand their financial responsibilities.
- Budget managers follow an approved certification process for all expenditure.
- Income and expenditure are properly recorded and accounted for.
- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

6.7 **Responsibilities of Chief Finance Officer**

- To establish an appropriate framework of budgetary management and control that ensures that:
  - budget management is exercised within annual cash limits unless the Council agrees otherwise
  - each Director has available timely information on income and expenditure which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- To ensure compliance with the agreed virement procedures
- To prepare and submit reports on the Authority's projected income and expenditure compared to budget on a regular basis and to make recommendations to Members regarding changes to the budget
- To submit reports to Overview & Scrutiny, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under their control

6.8 **Responsibilities of Directors**

- To maintain budgetary control within their service, as outlined above and to ensure that all income and expenditure is properly recorded and accounted for
- To ensure that an accountable budget manager is identified for each item of income and expenditure under the control of the Director, grouped together in a series of cost centres. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure

- To ensure that budget spending remains within the service's overall budget, and that individual budget heads are not overspent. This may require appropriate corrective action to be taken where significant variations from the approved budget are forecast
- To ensure that a monitoring process is in place to review performance levels of service in conjunction with the budget and that it is operating effectively
- To report and obtain prior approval by Council and Cabinet, where appropriate, before incurring expenditure on schemes of whatever amounts, that:
  - create financial commitments in future years above the budget level (except where if this is wholly offset by external funding or charges for work carried out on behalf of third parties – see sections 33 and 34 respectively)
  - change existing policies, initiate new policies or cease existing policies or
  - materially extend or reduce the Authority's services
- Emergency expenditure – no proposal should be submitted to Cabinet/Council involving expenditure during a financial year where no provision has been made in the current budget. Only in the case of either urgency or on a matter in which the Council is under a legal obligation, any Council director in consultation with the Cabinet Member for Finance, the Chief Executive and Chief Finance Officer, shall have power to agree that the expenditure will be met subject to the action being reported to Cabinet (see Appendix A for limits)
- To ensure compliance with the scheme of virement
- To consult with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area

## **7. Scheme of Virement**

### **What is a Virement?**

- 7.1 A virement is the transfer of budget from one specific area to another. This can either be a transfer within revenue budgets or capital budgets but not between revenue and capital. There are different limits depending on the reason for the change and whether or not it is a one-off transfer or a permanent one. The limits are set out in Appendix A.

### **Why is the Scheme of Virement important?**

- 7.2 The scheme of Virement is intended to enable the Directors and their officers to manage budgets with a degree of flexibility within the overall framework determined by the Council, and therefore optimise the use of resources.
- 7.3 **The key controls are:**

- **Revenue and Capital**

- Virement into a receiving budget may only occur provided that the donating cost centre will not subsequently become overspent;
- Virements which involve a key decision should be subject to a Cabinet Report and the Council's decision-making process in line with the Council's Constitution; and
- A record of all virements must be kept.

- **Revenue**

- Permanent virements can only be processed if the donating cost centre has permanent budget provision to fund the requested virement;
- Only in year virements can be agreed for Employee budgets unless the virement is linked to a structural change that has received the necessary approvals; and
- All virements must be authorised in line with the delegated authority approvals.
- Additions to any revenue or capital budget can be made in accordance with the limits set out in Appendix A.

- **Capital**

- Provisional budgets into subsequent projects require Cabinet approval;
- Transfers between schemes require Cabinet approval;
- Capital Schemes must have a matching expenditure and financing budget; and
- Transfers that are contained within a scheme must be authorised in line with the delegated authority approvals.

#### 7.4 **Responsibilities of Chief Finance Officer**

- To prepare virement procedures for approval by the Council;
- To monitor compliance with the agreed virement procedures; and
- To report approved virements that change an overall budget.

#### 7.5 **Responsibilities of Directors**

- To ensure compliance with the agreed virement procedures;
- No virement relating to a specific financial year should be made after 31 March in that year;

- To ensure that virements are authorised as per the delegated powers approved by Council;
- A virement that is likely to impact on the level of service activity of another Director, should be progressed only after agreement with the relevant Director; and
- To ensure that requests for virements are not split into a series of smaller virements to circumvent approval requirements.

## 8. Accounting Policies

### What are Accounting Policies?

- 8.1 Accounting policies are the accounting principles, rules and procedures selected and consistently followed by the Council, which dictate what and how financial information is accounted for and presented in the Council's Annual Statement of Accounts. The key accounting policy guidelines adopted by the Council are the *CIPFA Code of Practice on Local Authority Accounting*. These interpret International Financial Reporting Standards for local authorities.

### Why are Accounting Policies important?

- 8.2 They are important as they provide:
- a clear and open view of the financial affairs of the Council;
  - a level of disclosure which is considered to be relevant, informative and appropriate;
  - a consistent standard in the process of preparation and presentation of financial statements; and
  - an ability to compare between local authorities as required.

### 8.3 Key Controls

- Systems of internal control are in place to ensure that financial transactions are lawful.
- Accounting policies are reviewed annually to ensure they comply with the latest developments in the CIPFA code of practice.
- Suitable accounting policies are selected and applied consistently and approved by Governance and Audit Committee.
- Proper accounting records are maintained and to the required standard.
- Financial statements are prepared which present fairly the financial position of the Authority and its expenditure and income.
- Inspection of accounts by External Audit.

#### 8.4 **Responsibilities of Chief Finance Officer**

- To select suitable accounting policies and to ensure that they are applied consistently.
- To ensure the accounting policies are reviewed annually and are set out in the Annual Statement of Accounts, which is prepared in line with legislative requirements.
- To present any amendments to the accounting policies to the Governance and Audit Committee.

#### 8.5 **Responsibilities of Directors**

- To comply with the accounting policies and guidelines approved by the Chief Finance Officer and to supply the Chief Finance Officer with the information when required.
- To keep proper accounting records that are in line with accounting policies.

### 9. **Accounting Records and Returns**

#### **What are Accounting Records and Returns?**

- 9.1 All of the Council's transactions, commitments, contracts and other essential accounting information must be recorded fully, accurately and on a timely basis. Accounting Records must also provide an audit trail leading from the source of income or expenditure through to the accounting statements.
- 9.2 The Council's corporate financial information system is considered the prime source of financial information. The Revenue and Capital accounts, balance sheet, and other financial records, are held within the General Ledger, and its sub-systems including Debtors, Creditors and e-Procurement. Together they form the Council's financial records, from which, along with the Council Tax and Business Rates Systems and the Asset register, the financial statements and financial returns are produced.

#### **Why are Accounting Records and Returns important?**

- 9.3 During the financial year, the Council completes financial returns relating to the Council either as a whole or for certain individual services. These can be for a variety of reasons and to different audiences, including Central Government Departments, Members, Auditors and the general public. The information is mainly required by legislation. Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibilities for stewardship of public resources. The Authority also has to comply with legislation and statute, International Financial Reporting Standards, grant conditions and discharge its duties in line with Her Majesty's Revenue and Customs (HMRC) requirements.

9.4 The Authority has a statutory responsibility to prepare its annual accounts to present fairly the results of its operations during the year. These are subject to external audit who provide assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources. The auditors do this by examining the accounting records of the Authority.

9.5 **Key Controls**

- The key controls for accounting records and returns are:
  - all Directors, Budget Managers and Finance officers operate within the required accounting standards and timetables as outlined within the guidance issued;
  - all the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
  - procedures are in place to enable accounting records to be reconstructed in the event of systems failure;
  - reconciliation procedures are carried out to ensure transactions are correctly recorded; and
  - prime documents are retained in accordance with legislative and other requirements.

9.6 **Responsibilities of Chief Finance Officer**

- To issue instructions considered necessary for carrying out the daily financial work of the Council, after consulting with Directors where needed.
- To determine the accounting procedures and records for the Authority.
- To arrange for the compilation of all accounts and accounting records under their direction.
- To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's document retention schedule.
- To stipulate the date by which all financial records for any financial year shall be completed.
- To prepare and publish the audited Statement of Accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Council to approve the Statement of Accounts before the statutory deadline.
- To make proper arrangements for the audit of the Authority's Annual Statement of Accounts in accordance with the Accounts and Audit Regulations.



- To administer the Authority's arrangements for under and overspendings to be carried forward to the following financial year,
- To comply with the following principles when allocating accounting duties:
  - separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them; and
  - officers with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- To ensure that all claims for funds, including grants, are made accurately and by the due date.

#### 9.7 **Responsibilities of Directors**

- To comply with the principles outlined above when allocating accounting duties.
- To ensure that all claims for funds including grants are made by the due date.
- To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- To be responsible for all receipts and claims in relation to salary expenses and disbursements made by staff in their service.
- To supply information required to enable the Statement of Accounts to be completed in accordance with the guidelines issued.

## 10. **Annual Statement of Accounts**

### **What is the Annual Statement of Accounts?**

- 10.1 The Annual Statement of Accounts is a financial summary of the state of the financial affairs of the Council over the course of a year. The Council is required to follow the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS). The Accounts and Audit Regulations, as amended from time to time, set out the statutory dates for approval and publication of the Annual Statement of Accounts. The Statement of Accounts is made available for inspection by interested parties and is subject to external audit to ensure that it presents a fair view of the financial position of the Council.

### **Why is the Annual Statement of Accounts important?**

- 10.2 By legislation, the Council is required to produce an Annual Statement of Accounts each financial year (1 April – 31 March). The Statement of Accounts shows not only a snapshot

of the financial position as at the 31 March each year, but also provides the reader with an understanding on how the Council has performed financially during that financial year. After audit, the Statement of Accounts give assurance to key stakeholders that the financial affairs of the Council have been conducted properly and appropriately, and that they give what is considered to be a 'true and fair' view of the financial position of the Authority.

### 10.3 **Key Controls**

The key controls for the Annual Statement of Accounts are:

- The Authority is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Chief Finance Officer;
- To manage the Authorities affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- The Authority's Statement of Accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in Great Britain: "the code of Practice" (as amended from time to time)*.

### 10.4 **Responsibilities of Chief Finance Officer**

- To comply with the Code of Practice.
- To comply with statute and regulations.
- To draw up the timetable and guidance notes for financial accounts preparation and to advise staff and external auditors accordingly.
- To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the financial year ended 31 March.
- To ensure that the Statement of Accounts are approved by the Governance and Audit Committee.

### 10.5 **Responsibilities of Directors**

- To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with the information when required.
- To keep proper accounting records that are up to date.

## 11. **Maintenance of Reserves**

### **What are Reserves?**

- 11.1 Reserves are amounts set aside to fund specific or unexpected expenditure. There are different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can

be applied to fund expenditure or reduce local taxation) and unusable reserves for accounting purposes.

- 11.2 Useable reserves are analysed into those that are earmarked for specific purposes and those that are held to ensure that the Council can continue to provide services if an unexpected event occurs. It is the responsibility of Council to review the allocation and levels of reserves and may put in place specific delegations with respect to their use during any financial year in accordance with the specific policy of the reserve.

### **Why is Maintenance of Reserves important?**

- 11.3 By legislation (the Local Government Act 2003), the Chief Finance Officer must report to Council, immediately prior to setting the Budget and Council Tax, on the robustness of the budget as proposed and the adequacy of general balances and earmarked reserves. The Council then agrees on the level of reserves it will maintain before it then decides on the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes are also maintained, such as the insurance reserve, regeneration reserve and local priorities reserve.

### **11.4 Key Controls**

- Reserves are reviewed on an annual basis to ensure compliance with the Local Government Act 2003.
- To maintain reserves in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS).
- For each reserve clearly establish its purpose, usage and amount to be set aside.
- Authorisation to establish and add to a reserve is by the relevant Committee or Council following advice from the Cabinet Member for Finance and the Chief Finance Officer.

### **11.5 Responsibilities of Chief Finance Officer**

- To advise the Council on prudent levels of balances for the Authority.
- To establish guidelines on the setting up of reserves and then to advise Directors accordingly.

### **11.6 Responsibilities of Directors**

- To comply with guidance provided by the Chief Finance Officer and ensure that reserves are used only for the purpose for which they were intended.

## **12. Internal Controls**

### **What are Internal Controls?**

12.1 Internal Controls include the policies, processes, tasks, behaviours and other areas of the Council that taken together:

- enable it to react to significant risks in achieving its objectives. This includes protecting anything which is considered valuable to the organisation from misuse or loss and fraud;
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records, and processes which create a flow of timely, relevant and reliable information from both within and outside the organisation; and
- help ensure relevant laws and regulations are followed, as well as internal policies with respect to the conducting of the business.

### **Why are Internal Controls important?**

12.2 The Authority is complex and beyond the direct control of individuals. It requires, therefore, internal controls to manage and monitor progress towards strategic objectives.

12.3 The Authority has statutory obligations, including those set out within the Local Government Act 1972 and Accounts and Audit (England) Regulations 2011, which require internal controls to be established to ensure compliance with these obligations.

12.4 The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

12.5 The system of internal controls is established in order to provide measurable achievement of:

- efficient and effective operations;
- reliable financial information and reporting;
- compliance with laws and regulations; and
- risk management.

### **12.6 Key Controls**

- Key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that the Authority has a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.
- Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance, and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.

- An effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guidelines Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

#### 12.7 **Responsibilities of Chief Finance Officer**

- To direct and assist the Authority to put into place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations. This will ensure compliance with Section 151 of the Local Government Act 1972 which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers (the Chief Finance Officer) has responsibility for the administration of those affairs.

#### 12.8 **Responsibilities of Directors**

- To establish and maintain controls as well as processes which ensure such controls are being adhered to and evaluated, in order to be confident in the proper use of resources, achievement of objectives and management of risks on an ongoing basis.
- To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Chief Finance Officer.
- Ensure that officers have a clear understanding of the consequences of a lack of control or not adhering to agreed processes.

### 13. **Risk Management**

#### **What is Risk Management?**

- 13.1 All organisations, whether private or public sector, face risks to people, property and the day-to-day running of the business. Risk is the chance of something going wrong, and the possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action or event, which we have no control over. Risk can impact upon all officers within the Council as well as the Council's partners and citizens.
- 13.2 Risk Management is a planned and methodical way of identifying areas of risk, evaluating them and taking a look at how the risks can be controlled. Risk Management looks at the measures which an organisation already has in place to deal with identified risks, the adequacy of these measures and the actions required to control these risks effectively.

- 13.3 It is the overall responsibility of the Cabinet to approve the Authority's Risk Management Strategy, and to promote a culture of risk management awareness throughout the Authority.

**Why is Risk Management important?**

- 13.4 The challenges that the Authority faces, and the rate of change, puts the organisation under increasing pressure to improve the quality of management at all levels. This means that the Authority needs to make sure that risk management processes are structured, as well as being instinctive and intuitive. If management are to meet these challenges, high quality risk management needs to be at the core of decision making at all levels of the Council.
- 13.5 There is an ongoing requirement from the Accounts and Audit Regulations to produce an Annual Governance Statement (AGS) which is attached to the Annual Accounts, setting out the processes in place for managing the most significant risks to the achievement of objectives. Risk management processes are an integral part of the AGS.
- 13.6 All local authorities are increasingly being held to account by external assessors for the way in which risk management has been implemented. The Council needs to continue to demonstrate that all Services have a structured approach, which is embedded into planning and reporting cycles and decision-making processes at all levels.

13.7 **Key Controls**

The key controls for Risk Management are:

- The Council has adopted a Risk Management Strategy which has been approved by Governance and Audit Committee and is regularly updated.
- The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigns named individuals to lead on the actions identified to mitigate each risk.
- Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority.
- The Governance and Audit Committee receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being identified and effectively managed.
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls.
- Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.
- A Risk Register IT system is provided to assist Directors to manage their risks.

- A Risk Management Group meets regularly to co-ordinate and supports all aspects of strategic business risk management.
- Committee reports to support strategic policy decisions must include reference to the risks associated along with the decisions being taken, in both a positive and negative scenario (i.e. the risks of taking the decision as recommended and the risks of doing nothing).
- Documents for all major projects include a risk assessment which must be completed.
- The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained concerning the management of those risks.

#### 13.8 **Responsibilities of Chief Finance Officer**

- To prepare and promote the Authority's Risk Management Strategy.
- To develop risk management controls in conjunction with other Directors.
- To report to Members of the Governance and Audit Committee on the effectiveness of the risk management process and any changes to it in the Annual Governance Statement.

#### 13.9 **Responsibilities of Directors**

- To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers.
- The Risk Management Strategy requires Directors to:
  - Identify corporate and operational risks;
  - Maintain a risk register;
  - Assess the risks for likelihood and impact;
  - Prioritise risks;
  - Identify mitigating controls; and
  - Allocate responsibility for the mitigating controls.
- To ensure that there are regular reviews of all risks within Services.
- To appoint a Service based Risk Champion to report to and work with the Risk Management Group in promoting, co-ordinating and developing risk management initiatives.
- Ensure risk management is a key area of consideration when preparing annual Service Plans.
- Complete an annual Risk Management Self-Assessment and report the outcome to the Risk Management Group.

## 14. Insurance

### What is Insurance?

- 14.1 Insurance for the Council is, in many ways, similar to the insurance that private individuals take out to protect items that they either:
- cannot replace easily; or
  - are required to insure as a condition of purchase, i.e. a house purchased via a mortgage etc.
- 14.2 The decision to insure an item or not is based on:
- its replacement cost;
  - the likelihood of it needing to be replaced; and
  - the cost of the insurance.
- 14.3 The Council has to go through a similar process for the various risks it faces, e.g. the security of physical assets or the work carried out by its officers. Where the Council believes it is not able to manage risks internally, it will take out insurance in the same way a private individual would, e.g. the Council insures its buildings, its officers (employee liability), and cover for members of the public when using Council facilities (public liability) etc.

### Why is Insurance important?

- 14.4 Insurance is a major area within risk management, enabling risks from unfortunate events to have less of a negative effect due to taking out cover policies. However, insurance is not without a cost, and risk prevention is always preferable to paying higher premiums, where this is possible.

### 14.5 Key Controls

- Adequate insurance is in place to cover assets of the organisation.
- Policies are reviewed on an annual basis to ensure that they continue to provide adequate cover for the Authority in line with current risk management strategies and to confirm exclusion clauses are being complied with.
- Procedures are in place to investigate claims within required timescales.
- Acceptable levels of risk are determined and insured against where appropriate.
- The Council has an Insurance Strategy which provides details of the Council's insurance cover and procedures for claims.

### 14.6 Responsibilities of Chief Finance Officer

- To ensure that the Authority has the appropriate insurance cover in place.



- To include all appropriate officers of the Authority in a suitable fidelity guarantee insurance.
- To arrange all insurance cover through external insurance and internal funding and negotiate any claims in consultation with appropriate Directors and outside claims agencies.
- To inform Directors of any conditions affecting insured risks.
- To review all insurances in consultation with appropriate Directors either annually or when necessary.
- To administer any self-funding arrangement set up to run alongside or replace conventional externally provided insurance.

#### 14.7 **Responsibilities of Directors**

- To ensure that all officers are aware of their responsibilities with regard to the use of insurance policies.
- To identify and report to the Chief Finance Officer and Monitoring Officer any amendments which could be required for the insurance of the Authority.
- To notify the Chief Finance Officer and Monitoring Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Chief Finance Officer or the Authority's insurers.
- To ensure that any conditions affecting insured risks are met and that their actions do not invalidate any claims.
- To notify the Chief Finance Officer and Monitoring Officer promptly of all new risks, properties or vehicles that require insurance and any alterations affecting existing insurances.
- To inform the Chief Finance Officer and the Monitoring Officer of the terms of any indemnity that the Authority is requested to give.
- Do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## 15. **Treasury Management**

### **What is Treasury Management?**

#### 15.1

CIPFA defines Treasury Management as:

*“The management of the Council’s investments, borrowing and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

15.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.

15.3 The second main function of the Treasury Management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. Any debt previously drawn may be restructured to meet Council risk or cost objectives.

15.4 On an annual basis the Council approves a Treasury Management Strategy that is compiled to meet CIPFA requirements with respect to Treasury Management. During the course of each financial year, Governance and Audit Committee receive monitoring and outturn reports in order to ensure compliance with the Strategy.

### **Why is Treasury Management Important?**

15.5 It is critical that financial resources are properly managed in a way that balances risk with return whilst ensuring the Council can meet its financial obligations. The scale of borrowing, the inter-relationship between capital and revenue cash management and the fact that the Council may have surplus funds for investment require the development of sound borrowing and investment strategies that encompass all of these activities in a safe, efficient and consistent manner.

15.6 The main objectives of the Treasury Management function are:

- To effectively manage and control risks;
- To ensure that sufficient cash is available to enable the Council to discharge its financial obligations when they become due;
- To undertake all borrowing at or below budgeted rates on the basis of best value, and also seek opportunities to reduce the cost of servicing existing debt;
- To plan cash flows and minimise the cost of any temporary borrowing (which is required for day to day cash flow reasons);
- To invest prudently having regard to the security and liquidity of Investments and the predictability of returns; and
- To aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.

### **15.7 Key Controls**

The Council has adopted the recommendations of CIPFA’s Code of Practice on Treasury Management and the Prudential Code. The Council has developed its own Treasury

Management Strategy in accordance with these documents. The Strategy outlines the Council's:

- Key Treasury Management Principles;
- Scheme of Delegation and Reporting Requirements;
- Key Prudential Indicators – covering financing requirements, borrowing limits, debt maturity / type, cost of borrowing and investment income; and
- Policy for both borrowing and investments.

#### 15.8 **Responsibilities of the Chief Finance Officer**

- To prepare the Council's Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities for approval by Cabinet and Full Council at the Annual Budget Meeting.
- To arrange for all Council borrowing and investment in such a manner as to comply with this Strategy.
- To borrow on behalf of the Council under powers contained in the Local Government Act 1972 and subsequent legislation in accordance with the agreed proactive borrowing strategy.
- To arrange for the investment or utilisation for the Council's own purposes of surplus funds in accordance with agreed creditworthiness criteria.
- To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by Cabinet.
- To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate officer.
- To undertake all borrowings in the name of the Council.
- To act as the Council's registrar of stocks, bonds and mortgages, and to maintain records of all borrowing of money by the Council.
- To ensure that there is adequate monitoring of Treasury Management activities, involving both Members and senior Finance officers.
- To report to Governance and Audit Committee at regular intervals on Treasury Management activities

#### 15.9

#### **Responsibilities of Directors**

- To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council following consultation with the Chief Finance Officer.

- To inform officers with responsibility for Treasury Management of significant movements and changes in the Council's anticipated cash flows.

## 16. Internal Audit

### What is Internal Audit?

- 16.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 16.2 The Council is required to have an Internal Audit function in order to comply with section 6 of the Accounts and Audit (England) Regulations 2011 which requires the Authority to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". Section 151 of the Local Government Act 1972 also requires every local authority to make arrangements for the proper administration of its financial affairs.
- 16.3 All Internal Audit reviews are reported to and discussed by the Overview and Scrutiny Committee and the Governance and Audit Committee, the latter being the Committee charged with overall responsibility for governance within the Council.

### Why is Internal Audit important?

- 16.4 Internal Audit is a key element of the overall governance structure of the Authority which is designed to ensure that appropriate controls are in place throughout the organisation. Through the provision of a high quality independent appraisal of all of the activities of the Council, Internal Audit aims to improve operational efficiency, risk management and internal control systems, and also provide reliable and effective support to management to ensure that their objectives are achieved.

### 16.5 Key Controls

The key controls for Internal Audit are:

- that it is independent in its planning and operation and determines its own priorities in providing unrestricted coverage of the Council's operations;
- The Head of Internal Audit has direct access to the Chief Executive and all levels of management and Members; and
- The internal auditors comply with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.

### 16.6 Responsibilities of Chief Finance Officer

To ensure that internal auditors have the authority to:

- Access premises when required;
  - Access all assets, records, documents, correspondence and control systems;
  - Require and receive information and explanation considered necessary concerning any matter under consideration;
  - Require any employee of the Authority to account for cash, stores and any other Authority asset under the employee's control;
  - Access records belonging to third parties, such as contractors, when required;
  - Directly access the Chief Executive.
- To approve the strategic and annual audit plans prepared by the Head of Internal Audit, which take account of the current risk profile of all activities undertaken by the Authority.
- To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- When initial evidence suggests that a criminal offence has been committed, to consult with the appropriate Director about involving the Police, in accordance with the Council's Anti-Fraud and Corruption Policy.

#### 16.7 **Responsibilities of Directors**

- To ensure that Internal Audit are provided with any documents, information and explanations they require during the course of their work;
- To consider and respond to recommendations in audit reports within one month;
- Any agreed actions arising from audit recommendations are carried out as per the agreed timetable;
- New systems for maintaining financial records, records of assets, or changes to such systems, are discussed with, and agreed by, the Head of Internal Audit before implementation; and
- To notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources.

## 17. **External Audit**

### **What is External Audit?**

17.1 External Audit provides an important contribution to the stewardship of public resources and corporate governance of public services by:

- Giving an independent opinion on whether the public bodies financial statements fairly present its financial position and its expenditure and income for the year in question; and

- Reviewing and reporting on aspects of the arrangements which are put in place by public bodies to ensure the proper conduct of their financial affairs, and for securing economy, efficiency and effectiveness in its use of resources.

17.2 The basic duties of the external auditor are defined by the Audit Commission Act 1998 and the Local Government Act 1999.

### **Why is External Audit important?**

17.3 Independent external audit is a key process of evaluation of governance processes which seek to protect the management of public money. It is, however, the responsibility of management to put arrangements in place to ensure proper governance, and to regularly review the adequacy and effectiveness of these arrangements.

17.4 The Authority's financial statements are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with all relevant legal requirements.

### **17.5 Key Controls**

- External auditors must follow the Code of Audit Practice for Local Government when carrying out their audits.
- External auditors are regulated by the Financial Reporting Council.

### **17.6 Responsibilities of Chief Finance Officer**

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- To ensure there is effective liaison between external and Internal Audit.
- To work with the external auditor and advise the Council, Cabinet and Officers on their responsibilities in relation to external audit.

### **17.7 Responsibilities of Directors**

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- To ensure that all records and systems are up to date and available for inspection.

## **18. Preventing and detecting Fraud and Corruption (including Bribery)**

### **What is Fraud and Corruption?**

18.1 The Fraud Act 2006 defines three separate ways of committing fraud:

- Fraud by false representation;
- Fraud by failing to disclose information; and
- Fraud by abuse of position.

18.2 “Dishonesty” and “intent to make gain or cause loss” are core themes involved in the committing of fraud.

18.3 Corruption is ‘the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.’ It is an offence under the Prevention of Corruption Acts 1889 – 1916, as amended, and Section 117(3) of the Local Government Act 1972.

18.4 Bribery can be described as giving someone a financial inducement or other form of advantage to encourage that person to perform their functions or activities improperly, or to reward that person for having already done so, in order to gain a personal, commercial, regulatory or contractual advantage.

### **Why is Fraud and Corruption important?**

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

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

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

18.8 The Council's Codes of Conduct for Members and officers set out an approach to work that is honest, fair, accountable and, as far as possible, transparent. Members and officers must act in line with the codes at all times.

### **18.9 Key Controls**

- The Authority should maintain an effective Anti-Fraud and Corruption Strategy and a culture of zero tolerance to fraud and corruption.
- All Members and officers should act with integrity and lead by example.
- Officers should raise any concerns that they may have about fraud and corruption preferably with their line manager or another senior manager identified in the Anti-Fraud and Corruption Strategy.
- Any information reported by officers will be dealt with fairly and confidentially.
- Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.

- High standards of conduct should be promoted amongst Members.
- The maintenance of a register of interests to record gifts and hospitality received in accordance with the officers' and Members' Codes of Conduct.
- Whistle blowing procedures should be in place and operating effectively.
- All relevant legislation should be complied with including the Fraud Act 2006, the Bribery Act 2010 and the Public Interest Disclosure Act 1998.
- The Authority should maintain an adequate internal control framework.

#### 18.10 **Responsibilities of Chief Finance Officer**

- To develop and maintain an effective Anti-Fraud and Corruption Strategy.
- To develop and maintain an effective Anti-Bribery Policy
- To maintain adequate and effective internal control arrangements
- To ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.

#### 18.11 **Responsibilities of Directors**

- To ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.
- To instigate the Authority's disciplinary procedures where the outcome of an investigation into suspected fraud or corruption indicates that improper behaviour has taken place.
- To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed.
- To take advice and support from relevant parts of the Council e.g. Internal Audit, HR before referring matters to the Police for cases where it is apparent that a criminal offence may have been committed.

## 19. **Anti-Money Laundering**

### **What is Money Laundering?**

#### 19.1 Money laundering means:

- Concealing disguising, converting or transferring criminal property or removing it from the UK;



- Entering into, or becoming concerned in, an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Acquiring, using or possessing criminal property; and
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer of nominees, or any other retention or control of terrorist property.

19.2 These are the primary money laundering offences and prohibited acts under the legislation.

### **Why is Money Laundering important?**

19.3 Although the risk to the Council of contravening the legislation is low, it is extremely important that all officers and Members are familiar with the legislation and their legal responsibility as serious criminal sanctions may be imposed for breaches of the legislation. Potentially any officers could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way or do nothing about it.

19.4 The Anti-Money Laundering Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.

### **19.5 Key Controls**

- A Money Laundering Reporting Officer (MLRO) is appointed to receive disclosures from officers concerning money laundering activity.
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain client identification procedures in certain circumstances.
- Maintain record keeping procedures.

### **19.6 Responsibilities of Chief Finance Officer**

- Appoint a Money Laundering Reporting Officer (MLRO) who is to receive disclosures from officers concerning money laundering activity.
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain client identification procedures in certain circumstances.
- Maintain record-keeping procedures.

### **19.7 Responsibilities of Directors**

- Be aware of their roles and responsibilities in respect of Anti Money Laundering.
- Ensure they and officers within their service are aware of who is the MLRO.

## 20. Gifts, Hospitality and Register of Interests

### What are gifts, hospitality and a register of Interests?

- 20.1 During day to day work, there may be times when officers or Members are offered gifts and/or hospitality; for example, a meal, a 'thank you' gift or a trip to a sporting event.
- 20.2 A register of interests means that arrangements are in place for officers and Members to declare any interests that they have which may be seen to cause a conflict during the course of their work, or when making decisions in Committee meetings. For example:
- an officer or Member being related to a Director of a company that the Council trades or deals with; or
  - a committee where a Member serves is being asked to make a decision that would affect the Member, either personally or in relation to a project he/she is supporting.

### Why are the receipt of Gifts and Hospitality and the Register of Interests important?

- 20.3 In order to safeguard officers and Members in terms of independence (and therefore that of the Council) it is necessary for clear rules to be in place and adhered to. In relation to Register of Interest, there is the possibility of criminal liability in relation to corrupt practises by officers and Members. Under the Public Bodies Corrupt Practises Act 1889 it is an offence:
- 'corruptly to solicit or receive for himself or for any other person any gift, loan, fee, reward or advantage whatever as an inducement to, or reward for, or otherwise an account of any member, officer or servant of a public body doing or forbearing to do anything in respect of any matter or transaction whatsoever in which the said public body is concerned.'*

### 20.4 Key Controls

- Small items such as chocolates, pens and diaries need not be declared unless they are offered on a regular basis by the same person or organisation.
- Items over £25 should be recorded within 28 days of the receipt of the gift or hospitality. Written notification must be provided to the Monitoring Officer of the existence and nature of that gift or hospitality.
- Officers must refuse all gifts or hospitality in excess of £100 (if received on one occasion) or in excess of a total of £100 (if received on more than one occasion in same financial year from the same individual or organisation) except with approval from the Chief Executive.
- Officers must declare any interests they have in external organisations and/or partnerships who could potentially influence and are in business with the Authority.

### 20.5 Responsibilities of Monitoring Officer

- To produce and maintain a register of gifts and hospitality received by officers.

### 20.6 Responsibilities of Directors

- To comply with the guidance as provided by the Monitoring Officer.
- To maintain an up to date list of gifts, hospitality and interests within their Service in adherence with the principles in the guidance.

## **21. Asset Management**

### **What is Asset Management?**

- 21.1 Asset Management is the system of monitoring and maintaining items of value to the Authority. Asset management is a systematic process of operating, maintaining, upgrading and disposing of assets cost-effectively.
- 21.2 Asset Management relates to land and buildings; furniture, vehicles and equipment; and stocks and stores. It covers their acquisition, disposal, security and recording.

### **Why is Asset Management important?**

- 21.3 The Authority owns a diverse portfolio of assets in the form of property, vehicles, equipment, furniture and other items. It is important that these assets are safeguarded and used efficiently and effectively in supporting the delivery of services. The development of a comprehensive and effective approach to asset management is key to ensuring that:
- utilisation of assets is maximised
  - maintenance expenditure is prioritised
  - major capital investment requirements are identified and quantified; and
  - surplus property and other assets are identified for rationalisation and/or disposal.

### **21.4 Key Controls**

- A corporate asset management strategy is in place.
- Asset Registers / inventories are in place to record all assets.
- Accounting policies are in place to control asset classification, capitalisation, depreciation and disposal.
- Assets are disposed of at the most appropriate time and only when it is in the best interests of the Council and that the best price is obtained.
- Managers are responsible for the care, protection and security of assets within their control.

### **21.5 Responsibilities of Chief Finance Officer**

- To maintain an Asset Register which contains details of all assets owned by the Council which exceed the capital de-minimis levels.
- To ensure appropriate accounting entries are made for the addition and depreciation of assets into the Authority's records.

- To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice*.

**21.6 Responsibilities of Directors**

- To maintain proper security, care and protection of all building, equipment, vehicles, stocks, stores and cash under their control.
- To inform the Chief Finance Officer and Head of Internal Audit of any missing equipment or significant shortfalls in stock as soon as possible after discovery, together with explanations for the loss, if known.

**Land & Buildings**

**21.7 Key Controls**

- Land & Buildings are acquired in accordance with the Property Asset Management Strategy.
- Land & Buildings are purchased only following appropriate authorisation and approval.
- A terrier of all land and buildings owned is maintained, with assets recorded when they are acquired and this record is updated as changes occur.

**21.8 Responsibilities of Chief Finance Officer**

- Ensuring that all acquisitions are properly recorded within accounting records.

**21.9 Responsibilities of Directors**

- The Director for Growth shall maintain a terrier of all land and buildings owned by the Council. The terrier will record the holding Service, purpose for which each property/site is held, location and purchase details.
- The Director for Growth shall arrange for condition surveys to be carried out
- Arranging for the valuation of land and buildings as necessary to meet the accounting requirements of the Chief Finance Officer.
- To ensure the proper security of all land & buildings under their control.

**Furniture, Equipment & Vehicles**

**21.10 Responsibilities of Directors**

- The Head of Street Scene will maintain appropriate records of the vehicles held by the Council.
- The Head of ICT will maintain appropriate records of the ICT equipment held by the Council.

- Directors will maintain appropriate records of all other furniture and equipment held or deployed by their service. This will include maintaining an up to date inventory of all individual items with a purchase value in excess of **£100**.
- Directors should arrange for the accuracy of the inventory to be verified periodically at a frequency appropriate to the risk of loss of the individual items recorded.
- To ensure that Council property (owned or hired) should not be removed other than in the ordinary course of the Council's business except in accordance with directions issued by the Director concerned.
- To ensure the safe custody of furniture, equipment and vehicles.

## **Stocks & Stores**

### **21.11 Responsibilities of Directors**

- To make arrangements for the maintenance of reasonable levels of stocks and stores in their control.
- To ensure that appropriate up to date records of the level and value of stocks and stores held are maintained.
- To ensure periodical physical examinations of stocks and stores held, against the stock records, should be carried out at a frequency based on the value and vulnerability of the stock.
- To ensure proper security is maintained at all times for all stocks & stores.

## **Disposal of Assets**

### **21.12 Responsibilities of Chief Finance Officer**

- To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

### **21.13 Responsibilities of Directors**

- Once land and buildings have been declared surplus to requirements, to arrange for the disposal of these assets in accordance with the Council's strategy.
- Details of any vehicles which are deemed surplus to requirements shall be advised to Fleet Services. Where the vehicle is considered no longer suitable for use within the Council, the Fleet Services Manager shall arrange for its suitable disposal.
- Details of any ICT equipment which a Director deems surplus to requirements shall be advised to the Head of ICT. ICT equipment can only be disposed of by ICT Services, and if it is considered redundant in accordance with the ICT Strategy.
- The Head of ICT is responsible for ensuring that the standards, policies and guidelines of decommissioning of ICT equipment are well defined and

communicated to all staff within the Council. The Data Protection Act must be a key consideration in the decommissioning of IT equipment.

- To identify assets which are deemed surplus to requirements.
- To secure the best price obtainable for the sale of assets.
- To record all disposals of assets.
- To ensure that income received for the disposal of an asset is properly banked and coded.
- To consult with the Chief Finance Officer to ensure all financial implications, including accounting for Value Added Tax, are fully considered.

## **22. Intellectual Property**

### **What is Intellectual Property?**

- 22.1 Intellectual Property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 22.2 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items collectively are known as intellectual property.

### **Why is Intellectual Property important?**

- 22.3 Like any assets, Intellectual Property is an essential factor in ensuring business continuity within the Council, and the effective delivery of Council services. It is critical, therefore that the Council puts in place adequate controls over the ownership, storage and use of all Intellectual Property.
- 22.4 The Council holds a large quantity of information for a variety of purposes. As such, it is essential that an overall strategy is in place and implemented for the management of such information to ensure consistency, value for money, accuracy and that any relevant laws are followed.
- 22.5 **Key Controls**
- In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.
  - The Data Protection Act must be considered in relation to the creation, storage and distribution of Intellectual Property.

- 22.6 **Responsibilities of Chief Finance Officer**
- To develop and disseminate good practice through the Authority's intellectual property procedures.

- 22.7 **Responsibilities of Directors**
- To ensure that controls are in place to ensure that officers do not carry out private work in Council time and that officers are aware of an employer's right with regard to intellectual property.

## **23. Staffing**

### **What are Staff?**

- 23.1 Council staff are an essential part of providing the highest level of quality services. Staff are the greatest single item on which the Council spends its budget. It therefore carries not only one of the highest degrees of risk but is also one of the most complex areas. It is therefore crucial that procedures and guidance issued by Human Resources are followed precisely. Examples of areas where procedures exist are:
- recruitment;
  - pay and rewards;
  - attendance management;
  - health and safety;
  - discipline; and
  - grievances

### **Why are Staff important?**

- 23.2 In order to provide the highest level of service, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level within the resources available.

### **23.3 Key Controls**

- The key controls for staffing are:
- procedures are in place for forecasting staffing requirements and cost
- controls are implemented to ensure that officer's time is used efficiently and to the benefit of the Authority
- checks are undertaken prior to employing new officers to ensure that they are appropriately qualified, experienced and trustworthy
- managers communicate all changes to staff (including starters and leavers) to Human Resources and Payroll as soon as possible to ensure financial and operational records are kept up to date

- 23.4 **Responsibilities of Chief Finance Officer**
- To ensure that budget provision exists for all existing and new officers.

### 23.5 **Responsibilities of Directors**

- To produce an annual staffing budget.
- To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision.
- To monitor officers' activity to ensure adequate control over such costs as sickness, overtime, training and temporary officers.
- To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- The Head of Human Resources to act as an advisor to Directors on areas such as national insurance and pension contributions, as appropriate.
- To ensure that the Head of Human Resources and the Chief Finance Officer are informed if the staffing budget is likely to be materially over or under spent.
- To ensure that all changes to staff (including starters and leavers) are communicated to Human Resources and Payroll as soon as possible to ensure financial and operational records are kept up to date and that appropriate check lists are completed.

## 24. **Financial Systems**

### **What are Financial Systems?**

- 24.1 Financial systems are all computerised systems that directly or via interface are responsible for generating payments to or from the Council.

### **Why are Financial Systems Important?**

- 24.2 Financial Systems are where details of all transactions with the Council are held. It is important that these are accurate so that the underlying transactions are correct.

### 24.3 **Key Controls**

- Access control and security of the Council's Financial systems should be maintained.
- Systems should be reconciled periodically to ensure consistency of data stored within.

### 24.4 **Responsibilities of Chief Finance Officer**

- Approve any new financial systems and interfaces to be introduced.



- Ensure appropriate testing of new financial systems and testing of interfaces between systems prior to their introduction.
- Ensure appropriate reconciliation between all financial systems.
- For all corporate financial systems:
  - Ensure all input is genuine, complete, accurate, timely and not previously processed
  - All processing is carried out in a complete, accurate and timely manner
  - Output from all systems is complete, accurate and timely in an agreed format
  - Effective contingency and disaster recovery arrangements exist for all computerised systems, to include; back-up / rollback and processes to deal with an interruption to the system
  - Ensure systems are documented and staff trained in the operation of them
  - Correct any errors identified during the interfacing or reconciliation processes

#### 24.5 **Responsibilities of Directors**

- Seek approval of the Chief Financial Officer before changing any existing system or introducing any new financial system.
- For all business area specific financial systems:
  - Ensure all input is genuine, complete, accurate, timely and not previously processed
  - All processing is carried out in a complete, accurate and timely manner
  - Output from all systems is complete, accurate and timely in an agreed format
  - Effective contingency and disaster recovery arrangements exist for all computerised systems, to include; back-up / rollback and processes to deal with an interruption to the system
  - Ensure systems are documented and staff trained in the operation of them
  - Correct any errors identified during the interfacing or reconciliation processes

## 25. **Income Collection and Management**

### **What is Income Collection and Management?**

25.1 Some Services have the facility to charge for the services provided as part of their day to day operations. All charges must ensure compliance with the relevant statutes governing local authority activities. Charges may be levied in advance when a service is booked, at the point of sale or by the raising of a debtors invoice after the service has been delivered. Examples of these include:

- **Charges at point of sale:**
  - entrance fees;
  - cultural activities
  - car parking; and
  - professional fees e.g. Local Search fees and Planning Permission Fees.

- **Debtor Invoices**
  - sundry debtors.

25.2 The Council also collects income arising from local taxation, namely Council Tax and Business Rates, and income from parking penalty notices.

### **Why is Income Collection and Management important?**

25.3 The collection of income is a significant part of the Council's business and is a vulnerable asset. Effective revenue collection systems are necessary to ensure that all revenue due is identified, collected, receipted and banked securely and effectively. It is preferable to obtain revenue in advance of supplying goods or services as this improves the Authority's cash flow and also avoids the time and cost of administering debts. In order to ensure that cash flow is maximised and costs are minimised, it is essential that income is collected in as complete and timely manner as is possible. This would normally be at the point of sale or service.

### **25.4 Key Controls**

- All debtor invoices must be raised via the Corporate Debtors system. Invoices raised need to be appropriate and legitimate and are calculated correctly.
- All income due to the Authority is legitimate, recorded and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.
- Value Added Tax (VAT) at the appropriate rate must be levied and collected in line with VAT guidance.
- All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery. Appropriate supporting documentation is retained in the event of debt recovery procedures being invoked.
- All money received by an employee on behalf of the Authority is banked in a timely manner, to the Authority's bank and is properly recorded in the Council's financial system.
- There is adequate separation in duties in identifying amounts due and the responsibility for collection, as far as is practicable.
- All debtor invoices must be raised via the Corporate Debtors system or other authorised debtor systems.
- Effective action is taken to pursue non-payment within defined timescales.
- Formal approval in accordance with the authorised limits (see Appendix A), for debt write-off is obtained.
- Appropriate accounting adjustments are made following write-off action.

- All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

#### 25.5 **Responsibilities of Chief Finance Officer**

- To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection and accounting for VAT.
- To approve the design of controlled stationery and arrangements for its control and security.
- To agree the write-off of bad debts in accordance with the Scheme of Delegation. To develop and maintain a Corporate Debt Management Policy.
- To develop and maintain up to date procedural guidance for the collection of income due to the Council.
- To ensure that appropriate accounting adjustments are made following write off action.
- To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- To seek approval from Council on an annual basis for discretionary fees which will apply to transactions in the following financial year.

#### 25.6 **Responsibilities of Monitoring Officer**

- To provide guidance on the retention and storage of income related documents.
- To provide guidance to ensure compliance with the relevant statutes governing local authority activities.
- To arrange appropriate insurance for all Council safes, as necessary.

#### 25.7 **Responsibilities of Directors**

- To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it annually, in line with corporate policies.
- To determine where charges can be made at point of sale and where there is a need to raise a debtors invoice.
- To establish adequate procedures and controls to ensure that all staff entrusted with Council money are properly accountable.

- To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable and ensure staff are clear of their roles and responsibilities.
- To issue official receipts or to maintain other documentation for income collection. Officers must issue machine printed or official receipt forms or tickets when receiving all monies due to the Council. All official receipt forms (miscellaneous receipt books) shall be pre-printed, and Officers must sign all such receipts when issued.
- To ensure that at least two employees are present when post is opened so that money is received by post is properly identified and recorded under arrangements agreed with the Chief Finance Officer.
- To hold securely receipts, tickets and other records of income for the appropriate period.
- To order and issue all controlled stationery (receipt forms, books or tickets and similar items). The design of controlled stationery and arrangements for its control and security should be approved by the Chief Finance Officer.
- To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- To ensure that income is paid fully and promptly into the appropriate Authority bank account in the form in which it is received.
- To reconcile monies collected to evidence bankings in accordance with procedures determined by the Chief Finance Officer.
- To keep a record of all overs and shorts so that any necessary adjustments can be made by arrangement with the Chief Finance Officer.
- To ensure income is not used to cash personal cheques or other payments.
- To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable a sundry debtor invoice to be raised in a form approved by the Chief Finance Officer.
- To ensure that sundry debtor invoices are raised promptly and within seven calendar days of supply and the debt is supported by sufficient documentary evidence.
- To ensure that VAT is appropriately applied and the correct VAT category is used.
- Directors have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information that may be requested by the debtor or by Legal Services in the event of Court action.

- To ensure that cash held on premises does not exceed approved limits and adequate insurance coverage has been obtained.
- To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off up to the approved limits. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note can only be issued in relation to a debt in order to correct a factual inaccuracy or administration error in the calculation and/or billing of the original debt.
- To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit, and the approval of Cabinet where required.
- To notify the Chief Finance Officer of outstanding revenue relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

## **26. Ordering and Payment of Works, Goods and Services**

### **What is Ordering and Payment for Goods and Services?**

- 26.1 Every day officers within the Council will order and/or authorise payments for goods and services. An order is a formal instruction requesting goods and services for which a payment will be given. An order should be electronic, represent a commitment on behalf of the Council, and form a contract with suppliers.
- 26.2 The Council has Contract Procedure Rules in place which aim to achieve value for money in the purchase of goods and services. These rules set the framework to ensure that procurement delivers value for money across all services and directly contributes to the achievement of our corporate priorities.

### **Why is ordering and payment important?**

- 26.3 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Contract Procedure Rules.

### **26.4 Key Controls**

- All goods and services are ordered only by appropriate persons and are correctly recorded.

- Only authorised officers set up in the E-procurement system can authorise unless in exceptional circumstances as approved by the Chief Finance Officer.
- Goods and services received are checked to ensure they are in accordance with the order.
- Payments are not made unless a valid purchase order is provided, goods have been received by the Authority to the correct prices, quantity and quality standards unless in exceptional circumstances as agreed by the Chief Finance Officer.
- All payments are made to the correct supplier, for the correct amount and are properly recorded, regardless of payment method.
- Normal method for all payments is via BACS.
- All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention guidelines.
- All expenditure, including VAT is accurately recorded against the right budget and any exceptions are corrected. If VAT is being re-claimed there is a need to ensure that it is appropriate to do so and a VAT invoice is provided.
- All invoices with Construction Industry Tax liability are accurately processed in accordance with the scheme.
- All invoices are addressed to South Kesteven District Council.
- In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

#### 26.5 **Responsibilities of Chief Finance Officer**

- To ensure that the Authority's main financial systems and procedures are sound and properly administered.
- To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- To make payments from the Authority's funds on the authorisation of officers in line with the Authorised Limits (see Appendix A) that the expenditure has been duly incurred in accordance with financial regulations.
- To ensure the security, safe keeping and maintenance of blank cheques.
- To ensure that payments are authorised in accordance with the bank mandate.
- To ensure payments are processed for the correct amount.

- To make payments, whether or not provision exists within the estimate, where the payment is specifically required by statute or is made under a court order.
- To make payments to contractors based on the certification of the appropriate Director or nominated representative which must include details of the value of work, retention money, amount previously certified and amounts now certified.
- To provide advice and encouragement on making payments by the most economical means.
- To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

## 26.6 **Responsibilities of Directors**

- To ensure that officers use e-procurement for the raising of purchase orders and details of goods/services receipted are recorded in the system unless there are exceptional circumstances as approved by the Chief Finance Officer.
- To ensure that goods and services are purchased in accordance with the Council's Contract Procedure Rules.
- To ensure orders for goods and services are correctly addressed.
- To ensure that orders are only used for goods and service provided to the department or are purchased for recharge to voluntary organisations providing services that complement those provided by the Council.
- To ensure individuals do not use official orders to obtain goods or services for their private use.
- Each order sent to a supplier must include the contract price or quotation obtained as well as the contract/quotation reference.
- All invoices are in the name of South Kesteven District Council and contain accurate information in line with the order.
- To ensure invoices are processed in a timely manner.
- To ensure that where access to the computerised ordering system is available it is used to create a commitment to be shown against the budget head. Any exemption from this requirement to be subject to the approval of the Chief Finance Officer.
- To ensure that there are sufficient officers authorised to act on the Directors behalf for approving orders and paying invoices without orders. The approval limits should not exceed the Authorised Limits (see Appendix A).

## 27. Grant Payments

### What are Grant Payments?

- 27.1 South Kesteven District Council recognises and values the contribution that community and voluntary organisations make to their communities. Accordingly, grants are given to them to deliver services and activities that are in line with the Council's priorities, aims and objectives. This funding supports a range of activities including grants to the third sector.

### Why are Grant Payments important?

- 27.2 Grant payments are important as they are designed to help and support those organisations, often those who may have access to only limited resources, who provide services and organise activities for the local community. As this funding is sourced from public sources, it is important to ensure that it is spent in an appropriate way.

### 27.3 Key Controls

- Checks are undertaken on the integrity and financial standing of organisations to be funded.
- All applications are facilitated through a standard application form which requires various information including up to date accounts, bank statements, constitution, DBS information and child protection policies (where applicable) and expected outcomes which will arise from the funding provided. The amount of information requested will be proportionate to the amount of funding granted.
- Procedures are in place for the review and approval of grant applications, ensuring that expected outcomes align with Council priorities, aims and objectives.
- Funding agreements are signed off by both parties to confirm the terms and conditions on which the provision of funding is based. This will include the outcomes expected, performance indicators, and reporting requirements.
- Monitoring arrangements are established to ensure that evidence is provided by the organisation on a periodic basis to confirm that outcomes have been achieved in line with the grant funding agreement and that systems, processes and financial controls remain appropriate.

### 27.4 Responsibilities of Chief Finance Officer

- To ensure that all grant payments are properly recorded in the Council's accounts.

### Responsibilities of Directors

- 27.5
- To ensure that grant awards are consistent with Council priorities, aims and objectives.
  - To ensure grants awarded are in line with available budgets.
  - To ensure that appropriate monitoring arrangements are in place, thereby obtaining assurance that funding has been applied for the purposes intended.
  - To ensure that all grant payment are subject to annual consideration and approval



## **28. Purchase Cards**

### **What are Purchase Cards?**

- 28.1 Purchase cards are a form of company charge card that allows goods and services to be procured. Purchase cards are issued directly to employees.

### **Why are Purchase Cards important?**

- 28.2 Purchase cards provide the Council with another method of payment for goods and services and reduces the need for cash within the Authority. Purchase cards also provide the Authority with greater visibility of ad-hoc transactions.

### **28.3 Key Controls**

- All purchase card transactions must be logged on the financial system.
- All purchase card transactions must be matched to the bank transaction and authorised by the authorising manager.
- Cards must be held securely and not shared.
- Purchase cards must not be used for personal transactions.
- Purchase cards must only be used by the individual who it is assigned to.
- Purchase cards will only be issued to individuals who have received appropriate training.
- Individual transaction and monthly limits must be agreed by the authorising manager.
- Purchase cards must only be used in accordance with the prevailing policy.

### **28.4 Responsibilities of Chief Finance Officer**

- To provide guidance to all officers on the proper use of Purchase Cards within the Council.
- To ensure that appropriate accounting guidelines are in place for transactions where the purchase card is used, including the accounting for VAT.

- To approve purchase cards to be issued to individual officers and approve individual and monthly transaction limits.
- To arrange cancellation of the Purchase Cards when an officer leaves the Authority.
- To provide guidance on receipt retention.

#### 28.5 **Responsibilities of Directors**

- To comply with the rules and guidance provided by the Chief Finance Officer.
- To set the individual and monthly transaction limits.
- To ensure that officers who are allocated Purchase Cards and their Managers are aware of their responsibilities regarding this (and further detail contained within the Purchase Card User Guide).
- To ensure that the card is returned to the Exchequer team, in person, in the event the cardholder leaves the Authority.
- To ensure that VAT receipts are retained for the appropriate period.

## 29. **Payments to Employees and Members**

### **What are Payments to Employees and Members?**

- 29.1 As part of main Council business, the Council has to pay officers their salaries. In addition, payments can be made for other expenses which they have occurred on behalf of their duties.
- 29.2 Salaries and wages are paid in accordance with the approved Establishment List for the Council. Salaries are paid on the third Friday of each month, partly in advance and partly in arrears. All payments are made by BACS.
- 29.3 Members' allowances are paid monthly through the payroll system.

### **Why are Payments to Employees and Members important?**

- 29.4 Officer costs are the largest item of expenditure for most Councils. It is, therefore, important that payments are made accurately, timely, made only when they are due and that payments accord with individuals' conditions of services.
- 29.5 It is also important that all payments are made accurately, recorded and accounted for and that Members allowances are authorised in accordance with the scheme adopted.

- 29.6 **Key Controls**  
Key controls are:

- Proper authorisation procedures are in place and that there is adherence to corporate timetables and procedures in relation to the prompt notification of all changes including:
  - Starters;
  - Leavers;
  - Variations; and
  - Enhancements.
- All payments are made in accordance with the terms and conditions of employment, and approved timesheets and claims where appropriate;
- Frequent reconciliation of payroll expenditure against approved budget and bank account;
- All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule; and
- HMRC regulations are complied with.

#### 29.7 **Responsibilities of Chief Finance Officer**

- To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former officers, and to determine and approve the associated procedures.
- To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions complying with statutory requirements.
- To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- To provide advice to secure payment of salaries and wages by the most economical means.
- To ensure that there are adequate arrangements for administering superannuation matters on a day-to-day basis.

#### 29.8 **Responsibilities of Directors**

- To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- To notify the HR Service of all matters affecting payments as soon as possible and in the required manner. In particular:

- appointments, resignations, dismissals, suspensions, secondments and transfers;
  - absences for sickness or other reason, apart from approved leave;
  - changes in pay rates, other than pay awards and agreements of general application; and
  - information necessary to maintain records of service for superannuation, income tax and national insurance.
- To ensure that adequate and effective systems and procedures are operated so that:
    - payments are authorised to bona fide officers only;
    - payments are only made where there is a valid entitlement;
    - conditions and contracts of employments are correctly applied; and
    - officer's names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
  - To ensure all officers' expenses are paid via payroll.
  - To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowance are properly payable by the Authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer is informed where appropriate.
  - Officers' claims submitted more than six months after the expenses were incurred will be assessed and determined, for payment or otherwise, by the Director. The Chief Finance Officer will provide guidance on which the assessments and determination can be made.
  - To ensure that the Chief Finance Officer is notified of the detail of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
  - To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention guidelines.

## 30. Taxation

### What is Taxation?

- 30.1 There are five types of taxation which the Council will be aware of and take account of when it carries out its business. These are:
- Value Added Tax (VAT);
  - Income Tax and National Insurance;

- Construction Industry Scheme (CIS) Tax;
- Insurance Premium Tax; and
- Corporation Tax (on companies it controls)

30.2 Each has its own rules and relates to different areas of the Council's business.

### **Why is Taxation important?**

30.3 Like all organisations, the Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all Officers to be aware of their role.

30.4 Detailed consideration of future spending is required to ensure that the Council can continue to recover all the VAT it incurs, both on new schemes and on its existing expenditure. It is therefore important for all officers to be aware of their role in ensuring the Council's compliance with and adherence to HMRC's VAT Regulations and the requirements of the Council's VAT guidance.

30.5 It is important that the Council does not waste resources through under recovery of VAT, failing to identify taxable transactions and account for VAT due at the correct time, unnecessarily incurring non-UK VAT that is generally unrecoverable, or by making poor decisions due to inadequate information.

### **30.6 Key Controls**

- Budget Managers are provided with the relevant information and kept up to date on tax issues.
- Budget managers are instructed on required record keeping.
- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- Records are maintained in accordance with instructions.
- Returns are made to the appropriate Authorities within the stipulated timescale.

### **30.7 Responsibilities of Chief Finance Officer**

- To ensure that there are proper arrangements in place for the administration and accounting of the four areas of taxation.
- To ensure that all arrangements comply with the Council's statutory responsibilities.
- To complete a monthly return of VAT input and outputs to HMRC.
- To provide details to HMRC regarding the CIS Tax deduction scheme.
- To maintain up-to-date guidance for officers on taxation issues in the taxation manual on the Intranet with updates on significant changes.

- Complete the Council's annual partial exemption calculation and ensure that, as far as possible, this is not exceeded.
- Provide VAT advice, both strategically and operationally.
- To complete all HMRC returns regarding PAYE, on a timely basis.

30.8

### **Responsibilities of Directors**

- To ensure that the correct VAT liability is attached to all income due.
- To ensure that all VAT recoverable on purchases complies with HMRC regulations.
- To ensure that all capital work and revenue development is notified to the Council's VAT Officer at the earliest opportunity where any of the following apply:
  - significant VAT is incurred;
  - any VAT-exempt income is generated; or
  - there are non-cash benefits, e.g. Land swap or provision of services at below market price.
- To fund any interest charges or penalties falling upon the Council from HMRC that result from their Directorate's failure to account for the correct VAT at the correct time.
- To retain all VAT-related documents in accordance with the Council's document retention policy.
- To ensure that, as far is possible, tax is accounted for in the correct tax accounting period.
- To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- To ensure that all persons employed by the Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised agency.
- To ensure officers are aware of and follow the guidance on taxation issued by the Chief Finance Officer in the Authority's Tax manual.
- To ensure that officers are aware of their responsibilities in relation to self-billing (see self-billing regulation).

31.

## **Document Retention**

### **What is Document Retention?**

- 31.1 Laws and best practice provide requirements and guidelines for the retention and maintenance of documents, along with details as to how long they should be kept. A Document Retention Policy provides a systematic way of deciding to keep or destroy documents which have been received or created in the course of business. It gives guidance on how documents should be kept and how they should be destroyed.

#### **Why is Document Retention important?**

- 31.2 Document Retention is important as it provides a means of supplying evidence which verifies that income and expenditure recorded in the Council's financial statements is valid, accurate and complete. External organisations also require such confidence. There are strict guidelines and legal requirements in place to satisfy bodies such as HMRC.

- 31.3 A document retention policy will help to simplify the running of a Service by promoting efficiency and freeing up valuable storage space. Also, a document retention policy can protect you, ensuring you have evidence for your practice when required, and help makes sure laws are being followed.

#### **31.4 Key Controls**

- An understandable and clearly communicated Document Retention Policy is in place.
- All key areas of the Councils operations are covered within the policy.

#### **31.5 Responsibilities of Chief Finance Officer**

- To ensure that a comprehensive Document Retention Policy is in place and this is in line with statutory guidance.

#### **31.6 Responsibilities of Directors**

- To ensure compliance with the guidance within their services.
- To ensure that any amendments to the guidance are reported to the Records Manager on a timely basis.

## **32. Partnerships (including Joint Ventures and Companies)**

#### **What are Partnerships?**

- 32.1 Partnerships provide alternative arrangements for the Council to ensure services are delivered to the local community. This may be better than providing the services directly or by procuring a service from another agency.

#### **Why are Partnerships, Joint Ventures and Wholly Owned Companies Important?**

- 32.2 The distinctive role of the Council is one of leadership to bring together the contributions of the various agencies. We therefore need to deliver a shared vision of services based on user wishes. Partnerships play a key role in delivering community strategies and in

helping to promote and improve the well-being of the area. The Council can work in partnership with others - public agencies, private companies, community groups and voluntary organisations.

- 32.3 There are many reasons to enter into partnerships including:
- Providing new and better ways of delivering services to our residents
  - Creating formal structures to bind partners to work together long-term for shared objectives
  - Sharing risk with others
  - Accessing new resources, including funding
  - Forging new relationships

32.4 **Key Controls**

- All partnerships should be appropriately constituted, with clear and unambiguous rules for decisions, expenditure, goals and responsibilities.
- All partnerships should file accurate annual returns in a timely manner, in an appropriate form to the nature of the partnership.
- The key aims of the partnership should be agreed and committed to from all partner agencies.

32.5 **Responsibilities of Chief Finance Officer**

- To ensure that the accounting arrangements to be adopted for each partnership are satisfactory.
- To ensure that corporate governance arrangements and legal issues have been considered.
- To ensure that risks are fully appraised and reported before agreements are entered with external agencies.
- To ensure that any specific insurance is considered for any officers or members acting formally as a Director to any formally constituted company.
- To ensure that the Council's share of any financial impact is appropriately fed into the financial statements, medium term financial planning and budget planning processes.

32.6 **Responsibilities of Directors**

- To develop a suitable business case setting out the purpose of each partnership proposed and why the proposed route is the best to meet the Council's objectives.
- To ensure appropriate approvals are obtained before any negotiations are concluded with external agencies.
- To ensure that appropriate processes are put in place to represent the interests of the Council, in line with their stake in any partnership arrangement.



- To monitor the Council's share of any financial impact of the partnership is incorporated into the Council's budget monitoring processes.
- To monitor all other performance aspects of the partnership.

### **33. External Funding including Grant applications**

#### **What is External Funding?**

- 33.1 Sources of external funding provide additional resources to enable the Council to deliver services to the local community. This can be provided by the in-house service, or by commissioning partners or other agencies. Care needs to be taken, to ensure that the funding conditions meet the aims and objectives of the Council.
- 33.2 Smaller organisations may be prohibited from bidding for directly accessing some sources of external funding, relying on the Council to effectively sponsor their business case. If the Council accepts, then it becomes the accountable body for the grant; making it ultimately responsible for its correct use.

#### **Why is External Funding important?**

- 33.3 External funding is a very important source of income, especially at a time when the Council's resources are limited and scarce. However, funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Authority.
- 33.4 Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other organisations and private service providers. Funds from external agencies provide additional resources to ensure that the Council objectives are achieved. By acting as Accountable Body for others, the Council may enable projects to proceed and support the achievement of wider objectives within its area.

#### **33.5 Key Controls**

The key controls for external funding are:

- to ensure that the key conditions of funding are understood and complied with; including planning and approval for any match funding and revenue costs associated with any capital grant (such as ongoing maintenance costs).
- to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;
- to ensure that risks associated with the funding are known and mitigated – particularly around the potential future clawback of external funding
- to ensure any long-term constraints on assets is understood, recorded and adhered to, which arise from conditions attached to accepted grants.

- to assign a service area responsible for oversight of performance of any agency where the Council is acting as Accountable Body for external funding.
- to have a developed exit strategy for when the grant concludes.

### 33.6 **Responsibilities of Chief Finance Officer**

- To ensure that all funding applications are reviewed prior to submission
- To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- To ensure that any match funding requirements are considered prior to entering into agreements and the future revenue budgets reflect these requirements.
- To ensure that the revenue implications that arise from one off capital grants are understood before the grant is applied for..
- To ensure that any necessary claims or returns are made within the deadlines set.
- To ensure that audit requirements are met.
- To include the income and expenditure in the Council's Annual Statement of Accounts.
- To advise on requirements for ensuring that the Council's duties as Accountable Body for external funding are met
- To adjust the budgets in line with appropriately approved and awarded grants.

### 33.7 **Responsibilities of Directors**

- To ensure all applications for funding are consistent with the Council's priorities and have been reviewed by the Chief Finance Officer prior to submission
- To seek appropriate approval to accept any external funding in line with the authorised limits (see Appendix A).
- To ensure risks, constraints and any ongoing funding commitments are documented and fully considered against the benefits of any grants received.
- To ensure that all claims for funds and other returns are made accurately and duly signed by the due date.
- To ensure that the project progresses in accordance with the agreed programme and that all expenditure is properly incurred and recorded.

- To ensure that the appropriate approval is obtained prior to incurring additional expenditure on schemes, projects, programmes etc. which is to be financed wholly by additional grants or other income.
- To ensure that relevant documentation is retained in accordance with the terms of the grant as per the Council's document retention scheme.
- To provide on an annual basis details of external funding which have been agreed.
- To provide a breakdown of projected income and expenditure each year so that these can be properly budgeted for in the Council's financial system.
- To ensure appropriate performance monitoring of any funding where the Council is acting as Accountable Body.

## **34. Work for External Parties**

### **What is Work for External Parties?**

- 34.1 Legislation enables the Council to provide a range of goods services to both individuals and organisations. Various pieces of legislation cover whether costs can be recovered, the extent a surplus can be earned and whether there are restrictions on the use of any income received. The requirements may be directly agreed with the Council, or it may choose to bid to provide a service via a tender process.

### **Why is Work for External Parties important?**

- 34.2 Work may be chargeable and enable a unit to maintain economies of scale and existing expertise. Depending on the service and the recipient then the income may contribute to the Council's central running costs.

### **34.3 Key Controls**

- Ensure that the work falls within the Council's statutory powers.
- Ensure all parties are clear about what services are being provided and the basis of any such provision.
- Ensure risks associated with the work are known, documented and appropriately managed.
- Ensure proposals are costed properly and any charges are within Council's statutory powers.

### **34.4 Responsibilities of Chief Finance Officer**

- Ensure that all income and expenditure relating to External parties is contained within the Council's Annual Statement of Accounts.

- Support business areas to calculate costs associated with any service offered.
- Adjust budgets in line with any agreed changes in income and expenditure resulting from any approved works for External Parties.

#### 34.5 **Responsibilities of Directors**

- Ensure that appropriate approval is sought in advance of any formal agreement to proceed in line with the Authorised Limits (see Appendix A).
- Ensure that the business area has the appropriate expertise and capacity to undertake any work before committing the Council into provision.
- Ensure that appropriate documentation is agreed between the parties including what services are being provided, charges, timing and trigger points of payments.
- Ensure risks are identified in advance and a risk management plan put in place; this could include:
  - Appropriate insurance provision
  - Appropriate timing of payments
  - Appropriate contract management
- To provide a breakdown of any projected income and any additional expenditure each year so that these can be properly budgeted for in the Council's financial system and included within the Statement of Accounts.

### Authorised Limits

Operationally there are a series of decisions that are required to allow the Council to operate efficiently without seeking approval from Council each time (for example moving budgets, accepting grants or writing off bad debt). This appendix sets out limits and responsibilities for these matters. The amounts provided are the limits per scheme or project. The Chief Finance Officer is responsible for maintaining this document to maintain operational effectiveness (with any changes to limits taken in consultation with the Cabinet Member responsible for Financial matters). Any changes to limits should be included within the next financial monitoring report.

Nothing contained within this Appendix prohibits formal delegation by Full Council or Cabinet to delegate greater limits on a project, scheme or area basis.

### Virements - Revenue Budgets (sections 6, 32 and 33 of Financial Regulations)

Virements (adjustments) to revenue budgets can take place under a range of circumstances:

- Revenue (current year only) – can be between employee to employee budgets or non-employee to non-employee budget lines (see section 6 of Financial Regulations) \*
- Revenue (grant funded) – note such changes will only be for the period of the grant (see section 32 of Financial Regulations)
- Revenue (external income) – this should only be for the duration of any contract, unless there is an expectation that income will be sustainable (see section 33 of Financial Regulations)

\* One-off virements should only be used when moving budgets from one area of responsibility to another. If they are maintained within one service area, consider reporting an underspend in one area, offset by an overspend in the other.

The table below sets out as a minimum the approval required from the business, finance and members depending on the size of the change:

Business Lead	Finance Lead	Member Lead	Consultation	Revenue (in-year and grant funded)	Revenue (external income)
Head of Service	Team Leader	N/A	Assistant Director	Up to £25,000	Up to £25,000
Assistant Director	Chief Finance Officer or deputy	N/A	Director	£25,001 - £50,000	£25,001 - £50,000
Director	Chief Finance Officer	N/A	Cabinet Member	£50,001 - £100,000	£50,001 - £100,000
Director	Chief Finance Officer	Cabinet Member	N/A	£100,001 - £150,000	£100,001 - £250,000
Director	Chief Finance Officer	Cabinet	N/A	£150,001 - £250,000	£250,001 - £500,000
Director	Chief Finance Officer	Full Council	N/A	Over £250,000	Over £500,000

## Capital Budgets Amendments (Section 3 of Financial Regulations)

Virements to capital budgets can take place under a range of circumstances:

- Capital (grant funding) – if we have successful in securing grant funding
- Capital (external contribution) – if we have received income from another external source (such as a developer contribution)
- Capital (intra-scheme transfer) – if a scheme is going to overspend and this can be contained by transferring from another scheme in the same financial year without a risk that this will lead to an overspend in that scheme

The table below sets out as a minimum the approval required from the business, finance and members depending on the size of the change:

Business Lead	Finance Lead	Member Lead	Consultation	Capital
Head of Service	Team Leader	N/A	Assistant Director	Up to £25,000
Assistant Director	Chief Finance Officer (or deputy)	N/A	Director	£25,001 - £50,000
Director	Chief Finance Officer	N/A	Cabinet Member	£50,001 - £100,000
Director	Chief Finance Officer	Cabinet Member	N/A	£100,001 - £150,000
Director	Chief Finance Officer	Cabinet	N/A	£150,001 - £500,000
Director	Chief Finance Officer	Full Council	N/A	Over £500,000

## Additions to Budgets (Sections 2 (Capital) & 3 (Revenue) of Financial Regulations)

Additions to the approved budget framework where no external funding has been secured (including creation of new service areas) can be agreed by Cabinet or Full Council as per the limits in the following table::

Approval Body	Revenue and Capital
Cabinet	Up to £150,000 per addition up to £600,000 cumulative per financial year
Full Council	Over £150,000 per addition and over £600,000 cumulative (per year)

Note that these limits do not apply if being fully funded from an external contribution or grant – see the virements section for approach and limits in these circumstances.

## Approval to use discretionary reserves with the exception of the Local Priorities Reserve and Regeneration Reserve

Accessing reserves to fund specific one-off expenditure can be agreed by the Chief Finance Officer or Cabinet Member as per the limits in the following table:

Business Lead	Finance Lead	Member Lead	Consultation	Limit
Director	Chief Finance Officer	N/A	Cabinet Member for Finance	Up to £100k
Director	Chief Finance Officer	Cabinet Member		Over £100k

**Authorised Signatories (Section 26 of Financial Regulations)**

The following table sets out the limit per transaction for raising orders, approving invoices (without an order), approving expenses to employees and approving lease agreements; noting that no payment should be split into smaller components to circumvent these limits.

Authorised By:	Authorised Limit for Orders & Invoices	Authorised Limit for Payroll & Expenses	Authorised Period for Lease Agreements
Staff below Team Leader Level	Up to £1,000	N/A	N/A
Team Leaders or equivalent	£1,001 - £10,000	Up to £500	Less than 12 months
Heads of Service	£10,001 - £30,000	£501 - £2,000	Less than 12 months
Assistant Directors	£30,001 - £200,000	Over £2,000	Less than 12 months
Director	Over £200,000		
Chief Finance Officer	Over £200,000	Over £2,000	12 months and over

The Chief Finance Officer can, based upon a satisfactory explanation of need, agree an increase for officer(s) within a business area, for any amount up to the Chief Finance Officer's current limit.

**Bad Debt Write-Off (Section 25 of Financial Regulations)**

Any debit or credit balance under £50 per individual debt can be written-off by a Head of Service (or equivalent) without the need to be counter-signed. In all other cases, each write-off will be countersigned by the Chief Finance Officer or their deputy as appropriate as laid out in the table below.

Proposed by:	Authorised By:	Delegated Limit (per debt)
Heads of Service (or equivalent)	Assistant Director	£50 - £2,000
Assistant Director	Director & Deputy S151	£2,001 – £5,000
Director/ Chief Finance Officer	Chief Finance Officer	£5,001 – £25,000
Chief Finance Officer	Chief Finance Officer & Cabinet for Finance	Over £25,000

**Emergency Payments under the Emergency Plan (Section 5 of Financial Regulations)**

Director (in consultation with Chief Executive or Chief Finance Officer)	up to £100,000
Leader and Chief Executive	in excess of £100,000

## **Definition of Roles**

Throughout the document references are made to job titles and roles. During the period of the Regulations it is possible that titles will change. Therefore the updated title shall be equivalent (in terms of the management structure) to the title used in this document.



## Appendix B

### Recommended Periods For The Retention Of Records

#### Type of Document

#### Retention Period (Years)

#### Accountancy/Financial

Abstract of accounts	6
Audited accounts	Retain indefinitely
Budgetary control records	6
Costing records	6
Estimate working papers	2
Financial ledgers	6
Grant claim records	6
Investment records	2
Journals	6
Leasing records	2
Loans records	Retain indefinitely
Records re closing ledgers	6
Telephone call records	2
VAT claims	6
VAT records	3
Voluntary fund accounts	6

**Bank Related Records**

Bank paying-in books/slips	6
Bank reconciliation	6
Bank statements	6
Cancelled cheques	2
Cheque books and counterfoils	6
Cheque lists (creditors/payrolls)	2
Loan records and correspondence	2
Paid cheques	4
Returned cheque records	2

**Contracts**

Final accounts of contracts executed under hand	6
Final accounts of contracts executed under seal	12
Successful tenders	3 years after final payment
Unsuccessful tenders	Retain until final payment is made

**Creditor Records**

Copy orders	2
Credit notes	6
Creditor invoices	6
Delivery notes	2
Imprest documentation	2
Periodic payment records	6

**External Funding**

Funding documentation and associated invoice/payment details

6 years or in accordance with the terms of the individual grant requirements

**Income Records**

Cash books

6

Correspondence (income)

2

Debtor accounts (records non-current)

2

Income posting slips and tabulations

2

Periodic income records

2

Receipt books

2

Record of receipt books issued

2

Registrar's quarterly returns

2

Sales records

2

**Miscellaneous Records**

Annual report

Retain indefinitely

Bound copies of minutes

Retain indefinitely

Capital works tabulations

2

Car leasing and mileage records

3

Car loans

3

Computer system documentation

2

Inland Revenue documentation

6

Inventory records

6

Land searches	6
Member allowances	2
Minutes	2
Postal remittance registers	2
Stock lists	2
Travel claims	6
Valuation lists	Retain indefinitely
Vehicle logs	2

### **Insurance Records**

Expired insurance contracts	Retain indefinitely
Insurance claims	6
Insurance policy documentation	Retain indefinitely
Insurance register	Retain indefinitely

### **Payroll**

BACS amendments and output	3
Building society tabulations	3
Copy payslips	6
Correspondence	6
Life certificates (pensions)	2
Monthly BACS listing	3
NI file cashbook	2

NI number changes	2
Payroll adjustment documentation	6
Part time employees' claim forms	6
Pensions personal records	Retain indefinitely
SSP records	4
Staff transfer records	6
Starters' forms	2
Superannuation Records	Retain indefinitely
Tax and NI records	6
Tax code notifications	2
Timesheets	6
Union documentation	2
Weekly BACS listings	3

**Note:**

- The period of years shown, relates to a complete period following the end of the financial year to which the record relates.
- No documents or records should be disposed of until notification has been received from the District Auditor of the completion of the audit of accounts for the year to which the records relate.
- If a suitable period of retention is in doubt, please refer to the Chief Finance Officer.

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# Financial Regulations



SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL

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## **1. Introduction**

- 1.1 Financial Regulations provide the internal framework for managing the Council's financial affairs. They apply to every Member and officer of South Kesteven District Council and anyone in the public or private sector who acts on behalf of the Authority.
- 1.2 Throughout these Financial Regulations, the title Chief Finance Officer will be used to denote the designated Section 151 Officer of the Council. The responsibilities of the Chief Finance Officer are documented within each of the specific areas listed.
- 1.3 The Chief Finance Officer is responsible for maintaining a continuous review of the Financial Regulations and submitting any additions or changes necessary to the Council for approval.
- 1.4 It is the responsibility of Directors to ensure that all officers in their directorates are aware of the existence and content of the Council's Financial Regulations, as well as other internal regulatory documents, and also confirm that they comply with them.
- 1.5 It is the responsibility of the Chief Finance Officer to provide advice and guidance to reinforce the Financial Regulations that Members, officers and others acting on behalf of the Council are required to follow.

## **2. The Medium Term Financial Strategy**

### **What is the Medium Term Financial Strategy?**

- 2.1 The **Medium Term Financial Strategy** is the plan which sets out the Authority's commitment to provide services that meet the needs of people locally and that represent good value for money. It sets out what we aim to do over the next three years, having listened to the views of our communities and considers funds available to the Council.

### **Why is the Medium Term Financial Strategy important?**

- 2.2 The Strategy helps us to meet our statutory responsibilities in respect of financial planning and is critical to ensuring that the Council has a clear understanding of the level of available resources, the costs of delivering existing services and plans for new services. Financial planning facilitates strategic choices around service delivery, efficiency and service reductions.
- 2.3 The Strategy is approved by Full Council and includes information on the spending plans of all services and the intended level of Council tax.

### **Key Controls**

- 2.4 The strategy is reviewed every three years in line with the processes for reviewing and updating the Council's Corporate Strategy but updated annually to make sure it reflects:
  - the most recent estimate of resources available
  - the budget requirement – which may change as a result of updating estimated resources
  - updated operational plans for each Council Service

- any changes in the national Local Government Funding

### **3. Revenue Budget Plan**

#### **What is the Budget Plan?**

- 3.1 The Council's budget plan is a three-year income and expenditure plan. It details all known expected expenditure and income from the delivering of Council Services and compares these requirements to the funding available. The budget plan focuses on the priorities set by Council.

#### **Why is the Budget Plan important?**

- 3.2 The budget plan helps us to meet our statutory responsibilities for financial planning. All local authorities are required to prepare a budget annually which is then approved by Full Council. This is supported by a statement by the Chief Finance Officer regarding the robustness of the budget as proposed and the adequacy of general balances and reserves.
- 3.3 The plan also helps us ensure, at a more detailed level, that resources are allocated towards the delivery of council priorities. The process of developing the budget helps us to assess and balance any gaps between what we estimate it will cost us to deliver plans, and the money available to do this.

#### **Key Controls**

- 3.4 Budget planning begins in September of the preceding financial year and the following year's budget proposals together with an indicative two-year budget is presented to Members in February/March at full Council.
- 3.5 Detailed estimates of costs and income are developed for each service.
- 3.6 There may be additional in-year changes agreed in line with the approved levels, if so, both these costs and any ongoing costs will need to be built into the ongoing budget plan.

#### **Responsibilities of Chief Finance Officer**

- To develop the budget plan on an annual basis and to ensure a balanced budget is approved.
- To present the budget to Members for approval in February/March prior to the start of each financial year.
- To undertake the budget plan in accordance with accounting/statutory guidance.
- To ensure the impact of any additions to budgets in-year are understood and the impact of this change on the overall financial position of the Council
- To ensure any additions to budgets in-year are built into future budget planning processes.

### **Responsibilities of Directors**

- To provide information that may be requested in relation to the budget plan.
- To support the budget setting process.
- To produce an accurate business case to form part of any request for additional in-year increases to budgets (see Appendix A)

## **4. Capital Programme**

### **What is the Capital Programme?**

- 4.1 The Capital Programme is the budgeted plan of the capital schemes that the Authority is undertaking or planning to undertake. The development of the Capital Programme is in accordance with the Council's Capital Strategy. Each year, Directors consider Capital schemes to be included in the Capital Programme, which are then scrutinised through an approval process before being included in the Capital Programme for consideration by Cabinet and ultimately Council.

### **Why is the Capital Programme important?**

- 4.2 Capital assets shape the way services are delivered in the long term and create financial commitments for the future in the form of financing costs and revenue running costs. It is important that the 'Whole Life Cost' of any capital schemes are considered before approval is given, to ensure adequate funding has been identified. This is an integral part of the budget setting process.
- 4.3 The Government places strict controls on the financing capacity of the Authority. This means that capital expenditure should form part of an investment strategy and should be carefully prioritised in order to maximise the benefit of scarce resources.
- 4.4 Having a structured approach which reviews all capital scheme proposals helps ensure that the Capital Programme links into the Council's priorities.
- 4.5 The Capital Programme ensures the Authority takes a structured approach to the management of its assets.
- 4.6 There may be additional in-year changes agreed in line with the agreed levels, if so, both these costs and any ongoing costs will need to be built into the ongoing budget plan.

### **Key Controls**

- 4.7 All schemes included in the Capital Programme require a business case completing which would cover:
- project overview;
  - objectives and critical success factors;
  - capital expenditure;

- associated revenue expenditure to be completed;
- the source of funding to be identified.
  - These are subject to a rigorous review process, culminating in approval by full Council.
  - Where appropriate, schedules of individual projects within large schemes approved by the full Council must be submitted to Cabinet for approval.
  - The capital schemes are developed from asset management plans or invest to save schemes.
  - Accountability for each proposal is accepted by a named manager.

#### 4.8 **Responsibilities of Chief Finance Officer**

- To develop the capital programme on an annual basis for approval.
- To present the budget to Council for approval prior to the start of each financial year.
- To identify the funding sources of the proposed Capital Programme ensuring any revenue consequences are taken account of in the overall budget setting process.
- To determine the definition of 'capital' having regard to government regulations and accounting requirements.
- To ensure the impact of any additions to budgets in-year are understood and the impact of this change on the overall financial position of the Council.
- To ensure any additions to budgets in-year are built into future budget planning processes.

#### 4.9 **Responsibilities of Directors**

- Where a capital scheme is required to be included in or added to the Capital Programme, the responsible officer shall submit a capital business case for the scheme, including possible alternatives with up-to-date estimates of capital and revenue costs;
- To comply with guidance concerning capital schemes and controls.
- To ensure that adequate records are maintained for all capital contracts.
- Ensure that no capital expenditure is incurred on any scheme unless:
  - it is within the approved budget for that scheme
  - the nature of the spend is in line with the original purpose approved for the scheme

- government approval to the scheme has, where appropriate, been obtained
  - the source of funding has been identified
  - any revenue consequential expenditure which arises from the proposed capital expenditure has been accepted as a commitment by the Council
- Ensuring that the appropriate approval is obtained to incur additional capital expenditure which is to be financed wholly by additional grants or other income (see Appendix A).
  - To produce an accurate business case to form part of any request for additional in-year increases to budgets (see Appendix A)

## 5. Budget Guidance and the Budget Timetable

### What is Budget Guidance and the Budget Timetable?

- 5.1 Budget Guidance sets out what we need to do in order to prepare the Council's annual budget. The Budget Timetable outlines the timeframe against activities which will take place, including the key deadlines we ask all involved in budget preparation to follow.

### Why is Budget Guidance and the Budget Timetable important?

- 5.2 The guidance ensures that budgets are produced accurately and consistently in line with financial procedures. It also ensures that the level of detail and what is included meets legal requirements.  
The timetable ensures that the budgets are produced and approved by Council within the dates set out in legislation.

### Key Controls

- 5.3 The budget guidance and timetable are produced on an annual basis
- 5.4 The guidance and timetable will focus on the following:
- The full year effect of previous year's decisions
  - Consequences of the approved capital programme
  - Adjustments in relation to specific 'one year only' allocations and other time expired funding
  - Other specific Council decisions
  - Budget assumptions on:
    - Levels of pay and the price inflation which is to be applied
    - Council Tax increase
    - Funding allocations from Central Government
    - Superannuation contribution rates
    - Levels of Discretionary fees and charges
  - Ensuring approval of budget by full Council

- Ensuring Council Tax is set by statutory dates
- The format complies with legal requirements and reflects the accountabilities of Service Delivery

#### 5.5 **Responsibilities of Chief Finance Officer**

- To determine the format of the budget that is approved by the Council
- To set a balanced budget in order to meet the Section 151 Officers responsibilities
- To produce and distribute the guidance and timetable on an annual basis to officers and Members
- To present the timetable to Members for approval prior to the start of the process
- To ensure returns are made to central government in line with their requirements

#### 5.6 **Responsibilities of Directors**

- To comply with the accounting guidelines and timetable provided.

## 6. **Budget Control and Monitoring**

### **What is Budget Monitoring and Control?**

- 6.1 A budget is the planned income and expenditure for a service area or cost centre. Budgetary control and monitoring is the process used by budget managers, supported by officers within Financial Services, to review revenue and capital expenditure against their budgets, and project estimated spending to the end of the financial year. Accountability is achieved through formal reporting of the budget position, carried out at agreed times, and in line with the risk ratings referred to as RAG (red, amber, green) ratings.

### **Why is Budget Monitoring and Control important?**

- 6.2 Budget monitoring ensures that once the budget has been approved by the Council, resources allocated are used for their intended purposes and are properly accounted for. Budgetary control is the process of monitoring financial activity against the financial plan and, where necessary, taking the appropriate action in a timely manner to address any movement from the plan.
- 6.3 Budget monitoring and control also provides the mechanism that calls to account managers responsible for defined elements of the budget. It is therefore key that effective processes for monitoring of budgets are in place and adhered to.
- 6.4 To assist with the above it is essential that quality information is available to budget managers to ensure that sound financial decisions can be made, especially where spending may differ from planned expenditure.

6.5 To ensure that the Authority in total does not overspend, each Service is required to manage its own expenditure within the budget allocated to it.

6.6 **Key Controls**

- Budget managers should be responsible only for income and expenditure that they can influence.
- There is a nominated budget manager for each cost centre heading.
- Budget managers accept accountability for their budgets, the level of service to be delivered and understand their financial responsibilities.
- Budget managers follow an approved certification process for all expenditure.
- Income and expenditure are properly recorded and accounted for.
- Performance levels of service are monitored in conjunction with the budget and necessary action is taken to align service outputs and budget.

6.7 **Responsibilities of Chief Finance Officer**

- To establish an appropriate framework of budgetary management and control that ensures that:
  - budget management is exercised within annual cash limits unless the Council agrees otherwise
  - each Director has available timely information on income and expenditure which is sufficiently detailed to enable managers to fulfil their budgetary responsibilities
- To ensure compliance with the agreed virement procedures
- To prepare and submit reports on the Authority's projected income and expenditure compared to budget on a regular basis and to make recommendations to Members regarding any changes to the budget
- To submit reports to Overview & Scrutiny, in consultation with the relevant Director, where a Director is unable to balance expenditure and resources within existing approved budgets under their control

6.8 **Responsibilities of Budget Holders**

- To maintain budgetary control within their service, as outlined above and to ensure that all income and expenditure is properly recorded and accounted for
- To ensure that an accountable budget manager is identified for each item of income and expenditure under their control, grouped together in a series of cost centres. As a general principle, budget responsibility should be aligned as closely as possible to the decision-making that commits expenditure

- To ensure that budget spending remains within the service's overall budget, and that individual budget heads are not overspent. This may require appropriate corrective action to be taken where significant variations from the approved budget are forecast
- To ensure that a monitoring process is in place to review performance levels of service in conjunction with the budget and that it is operating effectively
- To report and obtain prior approval by Council and Cabinet, where appropriate, before incurring expenditure on schemes of whatever amounts, that:
  - create financial commitments in future years above the budget level (except where if this is wholly offset by external funding or charges for work carried out on behalf of third parties – see sections 33 and 34 respectively)
  - change existing policies, initiate new policies or cease existing policies or
  - materially extend or reduce the Authority's services
- Emergency expenditure – no proposal should be submitted to Cabinet/Council involving expenditure during a financial year where no provision has been made in the current budget. Only in the case of either urgency or on a matter in which the Council is under a legal obligation, any Council director in consultation with the Cabinet Member for Finance, the Chief Executive and Chief Finance Officer, shall have power to agree that the expenditure will be met subject to the action being reported to Cabinet (see Appendix A for limits)
- To ensure compliance with the scheme of virement
- To consult with the relevant Director where it appears that a budget proposal, including a virement proposal, may impact materially on another service area

## **7. Scheme of Virement**

### **What is a Virement?**

- 7.1 A virement is the transfer of budget from one specific area to another. This can either be a transfer within revenue budgets or capital budgets but not between revenue and capital. There are different limits depending on the reason for the change and whether or not it is a one-off transfer or a permanent one. The limits are set out in Appendix A.

### **Why is the Scheme of Virement important?**

- 7.2 The scheme of Virement is intended to enable the Budget Holders to manage budgets with a degree of flexibility within the overall framework determined by the Council, and therefore optimise the use of resources.
- 7.3 **The key controls are:**



- **Revenue and Capital**
  - Virement into a receiving budget may only occur provided that the donating cost centre will not subsequently become overspent;
  - Virements which involve a key decision should be subject to a Cabinet Report and the Council's decision-making process in line with the Council's Constitution; and
  - A record of all virements must be kept.
- **Revenue**
  - Permanent virements can only be processed if the donating cost centre has permanent budget provision to fund the requested virement;
  - Only in year virements can be agreed for Employee budgets unless the virement is linked to a structural change that has received the necessary approvals; and
  - All virements must be authorised in line with the delegated authority approvals.
  - Additions to any revenue or capital budget can be made in accordance with the limits set out in Appendix A.
- **Capital**
  - Provisional budgets into subsequent projects require Cabinet approval;
  - Transfers between schemes require Cabinet approval;
  - Capital Schemes must have a matching expenditure and financing budget; and
  - Transfers that are contained within a scheme must be authorised in line with the delegated authority approvals.

#### 7.4 **Responsibilities of Chief Finance Officer**

- To prepare virement procedures for approval by the Council;
- To monitor compliance with the agreed virement procedures; and
- To report approved virements that change an overall budget.

#### 7.5 **Responsibilities of Directors**

- To ensure compliance with the agreed virement procedures;
- No virement relating to a specific financial year should be made after 31 March in that year;
- To ensure that virements are authorised as per the delegated powers approved by Council;
- A virement that is likely to impact on the level of service activity of another Director, should be progressed only after agreement with the relevant Director; and
- To ensure that requests for virements are not split into a series of smaller virements to circumvent approval requirements.

## 8. Accounting Policies

### What are Accounting Policies?

- 8.1 Accounting policies are the accounting principles, rules and procedures selected and consistently followed by the Council, which dictate what and how financial information is accounted for and presented in the Council's Annual Statement of Accounts. The key accounting policy guidelines adopted by the Council are the *CIPFA Code of Practice on Local Authority Accounting*. These interpret International Financial Reporting Standards for local authorities.

### Why are Accounting Policies important?

- 8.2 They are important as they provide:
- a clear and open view of the financial affairs of the Council;
  - a level of disclosure which is considered to be relevant, informative and appropriate;
  - a consistent standard in the process of preparation and presentation of financial statements; and
  - an ability to compare between local authorities as required.

### 8.3 Key Controls

- Systems of internal control are in place to ensure that financial transactions are lawful.
- Accounting policies are reviewed annually to ensure they comply with the latest developments in the CIPFA code of practice.
- Suitable accounting policies are selected and applied consistently and approved by Governance and Audit Committee.
- Proper accounting records are maintained and to the required standard.
- Financial statements are prepared which present fairly the financial position of the Authority and its expenditure and income.
- Inspection of accounts by External Audit.

### 8.4 Responsibilities of Chief Finance Officer

- To select suitable accounting policies and to ensure that they are applied consistently.
- To ensure the accounting policies are reviewed annually and are set out in the Annual Statement of Accounts, which is prepared in line with legislative requirements.
- To present any amendments to the accounting policies to the Governance and Audit Committee.

## 8.5 Responsibilities of Directors

- To comply with the accounting policies and guidelines approved by the Chief Finance Officer and to supply the Chief Finance Officer with the information when required.
- To keep proper accounting records that are in line with accounting policies.

## 9. Accounting Records and Returns

### What are Accounting Records and Returns?

- 9.1 All of the Council's transactions, commitments, contracts and other essential accounting information must be recorded fully, accurately and on a timely basis. Accounting Records must also provide an audit trail leading from the source of income or expenditure through to the accounting statements.
- 9.2 The Council's corporate financial information system is considered the prime source of financial information. The Revenue and Capital accounts, balance sheet, and other financial records, are held within the General Ledger, and its sub-systems including Debtors, Creditors and e-Procurement. Together they form the Council's financial records, from which, along with the Council Tax and Business Rates Systems and the Asset register, the financial statements and financial returns are produced.

### Why are Accounting Records and Returns important?

- 9.3 During the financial year, the Council completes financial returns relating to the Council either as a whole or for certain individual services. These can be for a variety of reasons and to different audiences, including Central Government Departments, Members, Auditors and the general public. The information is mainly required by legislation. Maintaining proper accounting records is one of the ways in which the Authority discharges its responsibilities for stewardship of public resources. The Authority also has to comply with legislation and statute, International Financial Reporting Standards, grant conditions and discharge its duties in line with Her Majesty's Revenue and Customs (HMRC) requirements.
- 9.4 The Authority has a statutory responsibility to prepare its annual accounts to present fairly the results of its operations during the year. These are subject to external audit who provide assurance that the accounts are prepared properly, that proper accounting practices have been followed and that quality arrangements have been made for securing economy, efficiency and effectiveness in the use of the Authority's resources. The auditors do this by examining the accounting records of the Authority.

**Key Controls**

- The key controls for accounting records and returns are:
  - all Directors, Budget Managers and Finance officers operate within the required accounting standards and timetables as outlined within the guidance issued;
  - all the Authority's transactions, material commitments and contracts and other essential accounting information are recorded completely, accurately and on a timely basis;
  - procedures are in place to enable accounting records to be reconstructed in the event of systems failure;
  - reconciliation procedures are carried out to ensure transactions are correctly recorded; and
  - prime documents are retained in accordance with legislative and other requirements.

**Responsibilities of Chief Finance Officer**

- To issue instructions considered necessary for carrying out the daily financial work of the Council, after consulting with Directors where needed.
- To determine the accounting procedures and records for the Authority.
- To arrange for the compilation of all accounts and accounting records under their direction.
- To ensure the proper retention of financial documents in accordance with the requirements set out in the Authority's document retention schedule.
- To stipulate the date by which all financial records for any financial year shall be completed.
- To prepare and publish the audited Statement of Accounts of the Authority for each financial year, in accordance with the statutory timetable and with the requirement for the Council to approve the Statement of Accounts before the statutory deadline.
- To make proper arrangements for the audit of the Authority's Annual Statement of Accounts in accordance with the Accounts and Audit Regulations.

- To administer the Authority's arrangements for under and overspendings to be carried forward to the following financial year,
- To comply with the following principles when allocating accounting duties:
  - separating the duties of providing information about sums due to or from the Authority and calculating, checking and recording these sums from the duty of collecting or disbursing them; and
  - officers with the duty of examining or checking the accounts of cash transactions must not themselves be engaged in these transactions.
- To ensure that all claims for funds, including grants, are made accurately and by the due date.

#### 9.7 **Responsibilities of Directors**

- To comply with the principles outlined above when allocating accounting duties.
- To ensure that all claims for funds including grants are made by the due date.
- To maintain adequate records to provide a management trail leading from the source of income/expenditure through to the accounting statements.
- To be responsible for all receipts and claims in relation to salary expenses and disbursements made by staff in their service.
- To supply information required to enable the Statement of Accounts to be completed in accordance with the guidelines issued.

## 10. **Annual Statement of Accounts**

### **What is the Annual Statement of Accounts?**

- 10.1 The Annual Statement of Accounts is a financial summary of the state of the financial affairs of the Council over the course of a year. The Council is required to follow the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS). The Accounts and Audit Regulations, as amended from time to time, set out the statutory dates for approval and publication of the Annual Statement of Accounts. The Statement of Accounts is made available for inspection by interested parties and is subject to external audit to ensure that it presents a fair view of the financial position of the Council.

### **Why is the Annual Statement of Accounts important?**

- 10.2 By legislation, the Council is required to produce an Annual Statement of Accounts each financial year (1 April – 31 March). The Statement of Accounts shows not only a snapshot

of the financial position as at the 31 March each year, but also provides the reader with an understanding on how the Council has performed financially during that financial year. After audit, the Statement of Accounts give assurance to key stakeholders that the financial affairs of the Council have been conducted properly and appropriately, and that they give what is considered to be a 'true and fair' view of the financial position of the Authority.

### 10.3 **Key Controls**

The key controls for the Annual Statement of Accounts are:

- The Authority is required to make arrangements for the proper administration of its financial affairs and to ensure that one of its officers has the responsibility for the administration of these affairs. In this Authority, that officer is the Chief Finance Officer;
- To manage the Authorities affairs to secure economic, efficient and effective use of resources and safeguard its assets; and
- The Authority's Statement of Accounts must be prepared in accordance with proper practices as set out in the *Code of Practice on Local Authority Accounting in Great Britain: "the code of Practice" (as amended from time to time)*.

### 10.4 **Responsibilities of Chief Finance Officer**

- To comply with the Code of Practice.
- To comply with statute and regulations.
- To draw up the timetable and guidance notes for financial accounts preparation and to advise staff and external auditors accordingly.
- To sign and date the Statement of Accounts, stating that it presents fairly the financial position of the Authority at the accounting date and its income and expenditure for the financial year ended 31 March.
- To ensure that the Statement of Accounts are approved by the Governance and Audit Committee.

### 10.5 **Responsibilities of Directors**

- To comply with accounting guidance provided by the Chief Finance Officer and to supply the Chief Finance Officer with the information when required.
- To keep proper accounting records that are up to date.

## 11. **Maintenance of Reserves**

### **What are Reserves?**

- 11.1 Reserves are amounts set aside to fund specific or unexpected expenditure. There are different reserves held by the Authority, analysed into 'usable reserves' (i.e. those that can

be applied to fund expenditure usually of a one-off nature) and unusable reserves for accounting purposes.

- 11.2 Useable reserves are analysed into discretionary reserves and governance reserves. Discretionary reserves are those reserves that can be used to fund discretionary expenditure in accordance with the specific reserve. Governance reserves are those reserves created to provide financial protection to the Council for unforeseen events or financial challenges that can arise. It is the responsibility of Council to review the allocation and levels of reserves and may put in place specific delegations with respect to their use during any financial year in accordance with the specific policy of the reserve.

### **Why is Maintenance of Reserves important?**

- 11.3 By legislation (the Local Government Act 2003), the Chief Finance Officer must report to Council, immediately prior to setting the Budget and Council Tax, on the robustness of the budget as proposed and the adequacy of general balances and earmarked reserves. The Council then agrees on the level of reserves it will maintain before it then decides on the level of Council Tax. Reserves are maintained as a matter of prudence. They enable the Council to provide for unexpected events and thereby protect it from overspending, should such events occur. Reserves for specific purposes are also maintained, such as the insurance reserve, regeneration reserve and local priorities reserve.

### **11.4 Key Controls**

- Reserves are reviewed on an annual basis to ensure compliance with the Local Government Act 2003.
- To maintain reserves in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom, supported by International Financial Reporting Standards (IFRS).
- For each reserve clearly establish its purpose, usage and amount to be set aside.
- Authorisation to establish and add to a reserve is by the relevant Committee or Council following advice from the Cabinet Member for Finance and the Chief Finance Officer.

### **11.5 Responsibilities of Chief Finance Officer**

- To advise the Council on prudent levels of balances for the Authority.
- To establish guidelines on the setting up of reserves and then to advise Directors accordingly.

### **11.6 Responsibilities of Directors**

- To comply with guidance provided by the Chief Finance Officer and ensure that reserves are used only for the purpose for which they were intended.

## **12. Internal Controls**

### **What are Internal Controls?**

12.1 Internal Controls include the policies, processes, tasks, behaviours and other areas of the Council that taken together:

- enable it to react to significant risks in achieving its objectives. This includes protecting anything which is considered valuable to the organisation from misuse or loss and fraud;
- help ensure the quality of internal and external reporting. This requires the maintenance of proper records, and processes which create a flow of timely, relevant and reliable information from both within and outside the organisation; and
- help ensure relevant laws and regulations are followed, as well as internal policies with respect to the conducting of the business.

### **Why are Internal Controls important?**

12.2 The Authority is complex and beyond the direct control of individuals. It requires, therefore, internal controls to manage and monitor progress towards strategic objectives.

12.3 The Authority has statutory obligations, including those set out within the Local Government Act 1972 and Accounts and Audit (England) Regulations 2011, which require internal controls to be established to ensure compliance with these obligations.

12.4 The Authority faces a wide range of financial, administrative and commercial risks, both from internal and external factors, which threaten the achievement of its objectives. Internal controls are necessary to manage these risks.

12.5 The system of internal controls is established in order to provide measurable achievement of:

- efficient and effective operations;
- reliable financial information and reporting;
- compliance with laws and regulations; and
- risk management.

### **12.6 Key Controls**

- Key controls should be reviewed on a regular basis and the Authority should make a formal statement annually to the effect that the Authority has a sound system of internal control which facilitates the effective exercise of the Authority's functions and which includes arrangements for the management of risk.
- Managerial control systems, including defining policies, setting objectives and plans, monitoring financial and other performance, and taking appropriate anticipatory and remedial action. The key objective of these systems is to promote ownership of the control environment by defining roles and responsibilities.
- Financial and operational control systems and procedures, which include physical safeguards for assets, segregation of duties, authorisation and approval procedures and information systems.



- An effective Internal Audit function that is properly resourced. It should operate in accordance with the principles contained in the Auditing Practices Board's auditing guidelines Guidance for Internal Auditors, CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom and with any other statutory obligations and regulations.

#### 12.7 **Responsibilities of Chief Finance Officer**

- To direct and assist the Authority to put into place an appropriate control environment and effective internal controls which provide reasonable assurance of effective and efficient operations, financial stewardship, probity and compliance with laws and regulations. This will ensure compliance with Section 151 of the Local Government Act 1972 which requires every local authority to make arrangements for the proper administration of its financial affairs and to ensure that one of the officers (the Chief Finance Officer) has responsibility for the administration of those affairs.

#### 12.8 **Responsibilities of Directors**

- To establish and maintain controls as well as processes which ensure such controls are being adhered to and evaluated, in order to be confident in the proper use of resources, achievement of objectives and management of risks on an ongoing basis.
- To review existing controls in the light of changes affecting the Authority and to establish and implement new ones in line with guidance from the Chief Finance Officer.
- Ensure that officers have a clear understanding of the consequences of a lack of control or not adhering to agreed processes.

### 13. **Risk Management**

#### **What is Risk Management?**

- 13.1 All organisations, whether private or public sector, face risks to people, property and the day-to-day running of the business. Risk is the chance of something going wrong, and the possibility of loss, damage, injury or failure to achieve objectives caused by an unwanted action or event, which we have no control over. Risk can impact upon all officers within the Council as well as the Council's partners and citizens.
- 13.2 Risk Management is a planned and methodical way of identifying areas of risk, evaluating them and taking a look at how the risks can be controlled. Risk Management looks at the measures which an organisation already has in place to deal with identified risks, the adequacy of these measures and the actions required to control these risks effectively.

- 13.3 It is the overall responsibility of the Cabinet to approve the Authority's Risk Management Strategy, and to promote a culture of risk management awareness throughout the Authority.

**Why is Risk Management important?**

- 13.4 The challenges that the Authority faces, and the rate of change, puts the organisation under increasing pressure to improve the quality of management at all levels. This means that the Authority needs to make sure that risk management processes are structured, as well as being instinctive and intuitive. If management are to meet these challenges, high quality risk management needs to be at the core of decision making at all levels of the Council.
- 13.5 There is an ongoing requirement from the Accounts and Audit Regulations to produce an Annual Governance Statement (AGS) which is attached to the Annual Accounts, setting out the processes in place for managing the most significant risks to the achievement of objectives. Risk management processes are an integral part of the AGS.
- 13.6 All local authorities are increasingly being held to account by external assessors for the way in which risk management has been implemented. The Council needs to continue to demonstrate that all Services have a structured approach, which is embedded into planning and reporting cycles and decision-making processes at all levels.

13.7 **Key Controls**

The key controls for Risk Management are:

- The Council has adopted a Risk Management Strategy which has been approved by Governance and Audit Committee and is regularly updated.
- The Council maintains and reviews a register of its corporate business risks linking them to strategic business objectives and assigns named individuals to lead on the actions identified to mitigate each risk.
- Procedures are in place to identify, assess, prevent or contain material known risks, and these procedures are operating effectively throughout the Authority.
- The Governance and Audit Committee receive reports on a regular basis and take appropriate action to ensure that corporate business risks are being identified and effectively managed.
- A monitoring process is in place to review regularly the effectiveness of risk reduction strategies and the operation of these controls.
- Managers know that they are responsible for managing relevant risks and are provided with relevant information on risk management initiatives.
- A Risk Register IT system is provided to assist Directors to manage their risks.

- A Risk Management Group meets regularly to co-ordinate and supports all aspects of strategic business risk management.
- Committee reports to support strategic policy decisions must include reference to the risks associated along with the decisions being taken, in both a positive and negative scenario (i.e. the risks of taking the decision as recommended and the risks of doing nothing).
- Documents for all major projects include a risk assessment which must be completed.
- The risk management process specifically considers risks in relation to significant partnerships and provides for assurances to be obtained concerning the management of those risks.

#### 13.8 **Responsibilities of Chief Finance Officer**

- To prepare and promote the Authority's Risk Management Strategy.
- To develop risk management controls in conjunction with other Directors.
- To report to Members of the Governance and Audit Committee on the effectiveness of the risk management process and any changes to it in the Annual Governance Statement.

#### 13.9 **Responsibilities of Directors**

- To take responsibility for risk management, having regard to advice from the Chief Finance Officer and other specialist officers.
- The Risk Management Strategy requires Directors to:
  - Identify corporate and operational risks;
  - Maintain a risk register;
  - Assess the risks for likelihood and impact;
  - Prioritise risks;
  - Identify mitigating controls; and
  - Allocate responsibility for the mitigating controls.
- To ensure that there are regular reviews of all risks within Services.
- Ensure risk management is a key area of consideration when preparing annual Service Plans.

## 14. Insurance

### What is Insurance?

- 14.1 Insurance for the Council is, in many ways, similar to the insurance that private individuals take out to protect items that they either:
- cannot replace easily; or
  - are required to insure as a condition of purchase, i.e. a house purchased via a mortgage etc.
- 14.2 The decision to insure an item or not is based on:
- its replacement cost;
  - the likelihood of it needing to be replaced; and
  - the cost of the insurance.
- 14.3 The Council has to go through a similar process for the various risks it faces, e.g. the security of physical assets or the work carried out by its officers. Where the Council believes it is not able to manage risks internally, it will take out insurance in the same way a private individual would, e.g. the Council insures its buildings, its officers (employee liability), and cover for members of the public when using Council facilities (public liability) etc.

### Why is Insurance important?

- 14.4 Insurance is a major area within risk management, enabling risks from unfortunate events to have less of a negative effect due to taking out cover policies. However, insurance is not without a cost, and risk prevention is always preferable to paying higher premiums, where this is possible.

### 14.5 Key Controls

- Adequate insurance is in place to cover assets of the organisation.
- Policies are reviewed on an annual basis to ensure that they continue to provide adequate cover for the Authority in line with current risk management strategies and to confirm exclusion clauses are being complied with.
- Procedures are in place to investigate claims within required timescales.
- Acceptable levels of risk are determined and insured against where appropriate.
- The Council has an Insurance Strategy which provides details of the Council's insurance cover and procedures for claims.

### 14.6 Responsibilities of Chief Finance Officer

- To ensure that the Authority has the appropriate insurance cover in place.

- To include all appropriate officers of the Authority in a suitable fidelity guarantee insurance.
- To arrange all insurance cover through external insurance and internal funding and negotiate any claims in consultation with appropriate Directors and outside claims agencies.
- To inform Directors of any conditions affecting insured risks.
- To review all insurances in consultation with appropriate Directors either annually or when necessary.
- To administer any self-funding arrangement set up to run alongside or replace conventional externally provided insurance.

#### 14.7 **Responsibilities of Directors**

- To ensure that all officers are aware of their responsibilities with regard to the use of insurance policies.
- To identify and report to the Chief Finance Officer and Monitoring Officer any amendments which could be required for the insurance of the Authority.
- To notify the Chief Finance Officer and Monitoring Officer immediately of any loss, liability or damage that may lead to a claim against the Authority, together with any information or explanation required by the Chief Finance Officer or the Authority's insurers.
- To ensure that any conditions affecting insured risks are met and that their actions do not invalidate any claims.
- To notify the Chief Finance Officer and Monitoring Officer promptly of all new risks, properties or vehicles that require insurance and any alterations affecting existing insurances.
- To inform the Chief Finance Officer and the Monitoring Officer of the terms of any indemnity that the Authority is requested to give.
- Do not admit liability or make any offer to pay compensation that may prejudice the assessment of liability in respect of any insurance claim.

## 15. **Treasury Management**

### **What is Treasury Management?**

15.1 Treasury Management is defined as:

*“The management of the Council’s investments, borrowing and cash flows, its banking, money market and capital market transactions; the effective control of the risks associated with those activities; and the pursuit of optimum performance consistent with those risks.”*

- 15.2 The Council is required to operate a balanced budget, which broadly means that cash raised during the year will meet cash expenditure. Part of the Treasury Management operation is to ensure that this cash flow is adequately planned, with cash being available when it is needed. Surplus monies are invested in low risk counterparties or instruments commensurate with the Council’s low risk appetite, providing adequate liquidity initially before considering investment return.
- 15.3 The second main function of the Treasury Management service is the funding of the Council’s capital plans. These capital plans provide a guide to the borrowing need of the Council, essentially the longer term cash flow planning to ensure that the Council can meet its capital spending obligations. This management of longer term cash may involve arranging long or short term loans, or using longer term cash flow surpluses. Any debt previously drawn may be restructured to meet Council risk or cost objectives.
- 15.4 On an annual basis the Council approves a Treasury Management Strategy that is compiled to meet CIPFA requirements with respect to Treasury Management. During the course of each financial year, Governance and Audit Committee receive monitoring and outturn reports in order to ensure compliance with the Strategy.

#### **Why is Treasury Management Important?**

- 15.5 It is critical that financial resources are properly managed in a way that balances risk with return whilst ensuring the Council can meet its financial obligations. The scale of borrowing, the inter-relationship between capital and revenue cash management and the fact that the Council may have surplus funds for investment require the development of sound borrowing and investment strategies that encompass all of these activities in a safe, efficient and consistent manner.
- 15.6 The main objectives of the Treasury Management function are:
- To effectively manage and control risks;
  - To ensure that sufficient cash is available to enable the Council to discharge its financial obligations when they become due;
  - To undertake all borrowing at or below budgeted rates on the basis of best value, and also seek opportunities to reduce the cost of servicing existing debt;
  - To plan cash flows and minimise the cost of any temporary borrowing (which is required for day to day cash flow reasons);
  - To invest prudently having regard to the security and liquidity of Investments and the predictability of returns; and
  - To aim to achieve the optimum return on investments commensurate with the proper levels of security and liquidity.

#### **15.7 Key Controls**

The Council has adopted the recommendations of CIPFA’s Code of Practice on Treasury Management and the Prudential Code. The Council has developed its own Treasury

Management Strategy in accordance with these documents. The Strategy outlines the Council's:

- Key Treasury Management Principles;
- Scheme of Delegation and Reporting Requirements;
- Key Prudential Indicators – covering financing requirements, borrowing limits, debt maturity / type, cost of borrowing and investment income; and
- Policy for both borrowing and investments.

#### 15.8 **Responsibilities of the Chief Finance Officer**

- To prepare the Council's Treasury Management Strategy Statement in accordance with the CIPFA Code of Practice on Treasury Management in Local Authorities for approval by Cabinet and Full Council at the Annual Budget Meeting.
- To arrange for all Council borrowing and investment in such a manner as to comply with this Strategy.
- To borrow on behalf of the Council under powers contained in the Local Government Act 1972 and subsequent legislation in accordance with the agreed proactive borrowing strategy.
- To arrange for the investment or utilisation for the Council's own purposes of surplus funds in accordance with agreed creditworthiness criteria.
- To ensure that all investments of money are made in the name of the Council or in the name of nominees approved by Cabinet.
- To ensure that all securities that are the property of the Council or its nominees and the title deeds of all property in the Council's ownership are held in the custody of the appropriate officer.
- To undertake all borrowings in the name of the Council.
- To act as the Council's registrar of stocks, bonds and mortgages, and to maintain records of all borrowing of money by the Council.
- To ensure that there is adequate monitoring of Treasury Management activities, involving both Members and senior Finance officers.
- To report to Governance and Audit Committee at regular intervals on Treasury Management activities

#### 15.9 **Responsibilities of Directors**

- To ensure that loans are not made to third parties and that interests are not acquired in companies, joint ventures or other enterprises without the approval of the Council following consultation with the Chief Finance Officer.

- To inform officers with responsibility for Treasury Management of significant movements and changes in the Council's anticipated cash flows.

## 16. Internal Audit

### What is Internal Audit?

- 16.1 Internal Audit is an assurance function that provides an independent and objective opinion to the organisation on the control environment, by evaluating its effectiveness in achieving the organisation's objectives. It objectively examines, evaluates and reports on the adequacy of the control environment as a contribution to the proper, economic, efficient and effective use of resources.
- 16.2 The Council is required to have an Internal Audit function in order to comply with section 6 of the Accounts and Audit (England) Regulations 2011 which requires the Authority to "undertake an adequate and effective internal audit of its accounting records and of its system of internal control in accordance with the proper practices in relation to internal control". Section 151 of the Local Government Act 1972 also requires every local authority to make arrangements for the proper administration of its financial affairs.
- 16.3 All Internal Audit reviews are reported to and discussed by the Governance and Audit Committee as this is the Committee charged with overall responsibility for governance within the Council.

### Why is Internal Audit important?

- 16.4 Internal Audit is a key element of the overall governance structure of the Authority which is designed to ensure that appropriate controls are in place throughout the organisation. Through the provision of a high quality independent appraisal of all of the activities of the Council, Internal Audit aims to improve operational efficiency, risk management and internal control systems, and also provide reliable and effective support to management to ensure that their objectives are achieved.
- 16.5 **Key Controls**  
The key controls for Internal Audit are:
- that it is independent in its planning and operation and determines its own priorities in providing unrestricted coverage of the Council's operations;
  - The Head of Internal Audit has direct access to the Chief Executive and all levels of management and Members; and
  - The internal auditors comply with CIPFA's Code of Practice for Internal Audit in Local Government in the United Kingdom.
- 16.6 **Responsibilities of Chief Finance Officer**  
To ensure that internal auditors have the authority to:



- Access premises when required;
  - Access all assets, records, documents, correspondence and control systems;
  - Require and receive information and explanation considered necessary concerning any matter under consideration;
  - Require any employee of the Authority to account for cash, stores and any other Authority asset under the employee's control;
  - Access records belonging to third parties, such as contractors, when required;
  - Directly access the Chief Executive.
- To approve the strategic and annual audit plans prepared by the Head of Internal Audit, which take account of the current risk profile of all activities undertaken by the Authority.
- To ensure that effective procedures are in place to investigate promptly any fraud or irregularity.
- When initial evidence suggests that a criminal offence has been committed, to consult with the appropriate Director about involving the Police, in accordance with the Council's Anti-Fraud and Corruption Policy.

#### 16.7 **Responsibilities of Directors**

- To ensure that Internal Audit are provided with any documents, information and explanations they require during the course of their work;
- To consider and respond to recommendations in audit reports within one month;
- Any agreed actions arising from audit recommendations are carried out as per the agreed timetable;
- New systems for maintaining financial records, records of assets, or changes to such systems, are discussed with, and agreed by, the Head of Internal Audit before implementation; and
- To notify the Head of Internal Audit immediately of any suspected fraud, theft, irregularity, improper use or misappropriation of the Authority's property or resources.

## 17. **External Audit**

### **What is External Audit?**

- 17.1 External Audit provides an important contribution to the stewardship of public resources and corporate governance of public services by:
- Giving an independent opinion on whether the public bodies financial statements fairly present its financial position and its expenditure and income for the year in question; and

- Reviewing and reporting on aspects of the arrangements which are put in place by public bodies to ensure the proper conduct of their financial affairs, and for securing economy, efficiency and effectiveness in its use of resources.

17.2 The basic duties of the external auditor are defined by the Audit Commission Act 1998 and the Local Government Act 1999.

### **Why is External Audit important?**

17.3 Independent external audit is a key process of evaluation of governance processes which seek to protect the management of public money. It is, however, the responsibility of management to put arrangements in place to ensure proper governance, and to regularly review the adequacy and effectiveness of these arrangements.

17.4 The Authority's financial statements are scrutinised by external auditors, who must be satisfied that the statement of accounts 'presents fairly' the financial position of the Authority and its income and expenditure for the year in question and complies with all relevant legal requirements.

### **17.5 Key Controls**

- External auditors must follow the Code of Audit Practice for Local Government when carrying out their audits.
- External auditors are regulated by the Financial Reporting Council.

### **17.6 Responsibilities of Chief Finance Officer**

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- To ensure there is effective liaison between external and Internal Audit.
- To work with the external auditor and advise the Council, Cabinet and Officers on their responsibilities in relation to external audit.

### **17.7 Responsibilities of Directors**

- To ensure that external auditors are given access at all reasonable times to premises, personnel, documents and assets that the external auditors consider necessary for the purposes of their work.
- To ensure that all records and systems are up to date and available for inspection.

## **18. Preventing and detecting Fraud and Corruption (including Bribery)**

### **What is Fraud and Corruption?**

18.1 The Fraud Act 2006 defines three separate ways of committing fraud:

- Fraud by false representation;
- Fraud by failing to disclose information; and
- Fraud by abuse of position.

- 18.2 “Dishonesty” and “intent to make gain or cause loss” are core themes involved in the committing of fraud.
- 18.3 Corruption is ‘the offering, giving, soliciting, or acceptance of an inducement or reward, or showing any favour or disfavour which may influence any person to act improperly.’ It is an offence under the Prevention of Corruption Acts 1889 – 1916, as amended, and Section 117(3) of the Local Government Act 1972.
- 18.4 Bribery can be described as giving someone a financial inducement or other form of advantage to encourage that person to perform their functions or activities improperly, or to reward that person for having already done so, in order to gain a personal, commercial, regulatory or contractual advantage.

### **Why is Fraud and Corruption important?**

- 18.5 There is an expectation and requirement that all Members, officers, consultants, contractors, and service users be fair, honest and act with the utmost of integrity at all times.
- 18.6 The Council is resolute that the culture and tone of the Authority is one of honesty and opposition to fraud and corruption.
- 18.7 There is an expectation and requirement that all individuals, businesses and organisations dealing in any way with the Council will act with high standards of probity, openness and integrity and that Council officers or its agent(s) at all levels will lead by example in these matters.
- 18.8 The Council's Codes of Conduct for Members and officers set out an approach to work that is honest, fair, accountable and, as far as possible, transparent. Members and officers must act in line with the codes at all times.
- 18.9 **Key Controls**
- The Authority should maintain an effective Anti-Fraud and Corruption Strategy and a culture of zero tolerance to fraud and corruption.
  - All Members and officers should act with integrity and lead by example.
  - Officers should raise any concerns that they may have about fraud and corruption preferably with their line manager or another senior manager identified in the Anti-Fraud and Corruption Strategy.
  - Any information reported by officers will be dealt with fairly and confidentially.
  - Senior managers are required to deal swiftly and firmly with those who defraud or attempt to defraud the Authority or who are corrupt.

- High standards of conduct should be promoted amongst Members.
- The maintenance of a register of interests to record gifts and hospitality received in accordance with the officers' and Members' Codes of Conduct.
- Whistle blowing procedures should be in place and operating effectively.
- All relevant legislation should be complied with including the Fraud Act 2006, the Bribery Act 2010 and the Public Interest Disclosure Act 1998.
- The Authority should maintain an adequate internal control framework.

#### 18.10 **Responsibilities of Chief Finance Officer**

- To develop and maintain an effective Anti-Fraud and Corruption Strategy.
- To develop and maintain an effective Anti-Bribery Policy
- To maintain adequate and effective internal control arrangements
- To ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.

#### 18.11 **Responsibilities of Directors**

- To ensure that all suspected irregularities are reported to the Head of Internal Audit without delay.
- To instigate the Authority's disciplinary procedures where the outcome of an investigation into suspected fraud or corruption indicates that improper behaviour has taken place.
- To ensure that where financial impropriety is discovered, the Chief Finance Officer is informed.
- To take advice and support from relevant parts of the Council e.g. Internal Audit, HR before referring matters to the Police for cases where it is apparent that a criminal offence may have been committed.

## 19. **Anti-Money Laundering**

### **What is Money Laundering?**

#### 19.1 Money laundering means:

- Concealing disguising, converting or transferring criminal property or removing it from the UK;

- Entering into, or becoming concerned in, an arrangement which you know or suspect facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person;
- Acquiring, using or possessing criminal property; and
- Becoming concerned in an arrangement facilitating concealment, removal from the jurisdiction, transfer of nominees, or any other retention or control of terrorist property.

19.2 These are the primary money laundering offences and prohibited acts under the legislation.

### **Why is Money Laundering important?**

19.3 Although the risk to the Council of contravening the legislation is low, it is extremely important that all officers and Members are familiar with the legislation and their legal responsibility as serious criminal sanctions may be imposed for breaches of the legislation. Potentially any officers could be caught by the money laundering provisions if they suspect money laundering and either become involved with it in some way or do nothing about it.

19.4 The Anti-Money Laundering Policy applies to all employees of the Council and aims to maintain the high standards of conduct which currently exist within the Council by preventing criminal activity through money laundering. The Policy sets out the procedures which must be followed to enable the Council to comply with its legal obligations.

### **19.5 Key Controls**

- A Money Laundering Reporting Officer (MLRO) is appointed to receive disclosures from officers concerning money laundering activity.
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain client identification procedures in certain circumstances.
- Maintain record keeping procedures.

### **19.6 Responsibilities of Chief Finance Officer**

- Appoint a Money Laundering Reporting Officer (MLRO) who is to receive disclosures from officers concerning money laundering activity.
- Implement a procedure to enable the reporting of suspicions of money laundering.
- Maintain client identification procedures in certain circumstances.
- Maintain record-keeping procedures.

### **19.7 Responsibilities of Directors**

- Be aware of their roles and responsibilities in respect of Anti Money Laundering.
- Ensure they and officers within their service are aware of who is the MLRO.

## 20. Gifts, Hospitality and Register of Interests

### What are gifts, hospitality and a register of Interests?

- 20.1 During day to day work, there may be times when officers or Members are offered gifts and/or hospitality; for example, a meal, a 'thank you' gift or a trip to a sporting event.
- 20.2 A register of interests means that arrangements are in place for officers and Members to declare any interests that they have which may be seen to cause a conflict during the course of their work, or when making decisions in Committee meetings. For example:
- an officer or Member being related to a Director of a company that the Council trades or deals with; or
  - a committee where a Member serves is being asked to make a decision that would affect the Member, either personally or in relation to a project he/she is supporting.

### Why are the receipt of Gifts and Hospitality and the Register of Interests important?

- 20.3 In order to safeguard officers and Members in terms of independence (and therefore that of the Council) it is necessary for clear rules to be in place and adhered to. In relation to Register of Interest, there is the possibility of criminal liability in relation to corrupt practices by officers and Members. Under the Public Bodies Corrupt Practices Act 1889 it is an offence:

*'corruptly to solicit or receive for himself or for any other person any gift, loan, fee, reward or advantage whatever as an inducement to, or reward for, or otherwise an account of any member, officer or servant of a public body doing or forbearing to do anything in respect of any matter or transaction whatsoever in which the said public body is concerned.'*

### 20.4 Key Controls

- Small items such as chocolates, pens and diaries need not be declared unless they are offered on a regular basis by the same person or organisation.
- Items over £25 should be recorded within 14 days of the receipt of the gift or hospitality. Written notification must be provided to the Monitoring Officer of the existence and nature of that gift or hospitality.
- Officers must refuse all gifts or hospitality in excess of £100 (if received on one occasion) or in excess of a total of £100 (if received on more than one occasion in same financial year from the same individual or organisation) except with approval from the Chief Executive.
- Officers must declare any interests they have in external organisations and/or partnerships who could potentially influence and are in business with the Authority.

### 20.5 Responsibilities of Monitoring Officer

- To produce and maintain a register of gifts and hospitality received by officers.

### 20.6 Responsibilities of Directors

- To comply with the guidance as provided by the Monitoring Officer.

- To maintain an up to date list of gifts, hospitality and interests within their Service in adherence with the principles in the guidance.

## **21. Asset Management**

### **What is Asset Management?**

- 21.1 Asset Management is the system of monitoring and maintaining items of value to the Authority. Asset management is a systematic process of operating, maintaining, upgrading and disposing of assets cost-effectively.
- 21.2 Asset Management relates to land and buildings; furniture, vehicles and equipment; and stocks and stores. It covers their acquisition, disposal, security and recording.

### **Why is Asset Management important?**

- 21.3 The Authority owns a diverse portfolio of assets in the form of property, vehicles, equipment, furniture and other items. It is important that these assets are safeguarded and used efficiently and effectively in supporting the delivery of services. The development of a comprehensive and effective approach to asset management is key to ensuring that:
- utilisation of assets is maximised
  - maintenance expenditure is prioritised
  - major capital investment requirements are identified and quantified; and
  - surplus property and other assets are identified for rationalisation and/or disposal.

### **21.4 Key Controls**

- A corporate asset management strategy is in place.
- Asset Registers / inventories are in place to record all assets.
- Accounting policies are in place to control asset classification, capitalisation, depreciation and disposal.
- Assets are disposed of at the most appropriate time and only when it is in the best interests of the Council and that the best price is obtained.
- Managers are responsible for the care, protection and security of assets within their control.

### **21.5 Responsibilities of Chief Finance Officer**

- To maintain an Asset Register which contains details of all assets owned by the Council which exceed the capital de-minimis levels.
- To ensure appropriate accounting entries are made for the addition and depreciation of assets into the Authority's records.

- To ensure that assets are valued in accordance with the *Code of Practice on Local Authority Accounting in the United Kingdom: A Statement of Recommended Practice*.

21.6 **Responsibilities of Directors**

- To maintain proper security, care and protection of all building, equipment, vehicles, stocks, stores and cash under their control.
- To inform the Chief Finance Officer and Head of Internal Audit of any missing equipment or significant shortfalls in stock as soon as possible after discovery, together with explanations for the loss, if known.

**Land & Buildings**

21.7 **Key Controls**

- Land & Buildings are acquired in accordance with the Property Asset Management Strategy.
- Land & Buildings are purchased only following appropriate authorisation and approval.
- A terrier of all land and buildings owned is maintained, with assets recorded when they are acquired and this record is updated as changes occur.

21.8 **Responsibilities of Chief Finance Officer**

- Ensuring that all acquisitions are properly recorded within accounting records.

21.9 **Responsibilities of Directors**

- The Director for Growth shall maintain a terrier of all land and buildings owned by the Council. The terrier will record the holding Service, purpose for which each property/site is held, location and purchase details.
- The Director for Growth shall arrange for condition surveys to be carried out
- Arranging for the valuation of land and buildings as necessary to meet the accounting requirements of the Chief Finance Officer.
- To ensure the proper security of all land & buildings under their control.

**Furniture, Equipment & Vehicles**

21.10 **Responsibilities of Directors**

- The Head of Street Scene will maintain appropriate records of the vehicles held by the Council.
- The Head of ICT will maintain appropriate records of the ICT equipment held by the Council.



- Directors will maintain appropriate records of all other furniture and equipment held or deployed by their service. This will include maintaining an up to date inventory of all individual items with a purchase value in excess of **£100**.
- Directors should arrange for the accuracy of the inventory to be verified periodically at a frequency appropriate to the risk of loss of the individual items recorded.
- To ensure that Council property (owned or hired) should not be removed other than in the ordinary course of the Council's business except in accordance with directions issued by the Director concerned.
- To ensure the safe custody of furniture, equipment and vehicles.

## **Stocks & Stores**

### **21.11 Responsibilities of Directors**

- To make arrangements for the maintenance of reasonable levels of stocks and stores in their control.
- To ensure that appropriate up to date records of the level and value of stocks and stores held are maintained.
- To ensure periodical physical examinations of stocks and stores held, against the stock records, should be carried out at a frequency based on the value and vulnerability of the stock.
- To ensure proper security is maintained at all times for all stocks & stores.

## **Disposal of Assets**

### **21.12 Responsibilities of Chief Finance Officer**

- To ensure appropriate accounting entries are made to remove the value of disposed assets from the Authority's records and to include the sale proceeds if appropriate.

### **21.13 Responsibilities of Directors**

- Once land and buildings have been declared surplus to requirements, to arrange for the disposal of these assets in accordance with the Council's strategy.
- Details of any vehicles which are deemed surplus to requirements shall be advised to Fleet Services. Where the vehicle is considered no longer suitable for use within the Council, the Fleet Services Manager shall arrange for its suitable disposal.
- Details of any ICT equipment which a Director deems surplus to requirements shall be advised to the Head of ICT. ICT equipment can only be disposed of by ICT Services, and if it is considered redundant in accordance with the ICT Strategy.
- The Head of ICT is responsible for ensuring that the standards, policies and guidelines of decommissioning of ICT equipment are well defined and

communicated to all staff within the Council. The Data Protection Act must be a key consideration in the decommissioning of IT equipment.

- To identify assets which are deemed surplus to requirements.
- To secure the best price obtainable for the sale of assets.
- To record all disposals of assets.
- To ensure that income received for the disposal of an asset is properly banked and coded.
- To consult with the Chief Finance Officer to ensure all financial implications, including accounting for Value Added Tax, are fully considered.

## **22. Intellectual Property**

### **What is Intellectual Property?**

- 22.1 Intellectual Property is a generic term that includes inventions and writing. If these are created by the employee during the course of employment, then, as a general rule, they belong to the employer, not the employee. Various acts of Parliament cover different types of intellectual property.
- 22.2 Certain activities undertaken within the Authority may give rise to items that may be patentable, for example, software development. These items collectively are known as intellectual property.

### **Why is Intellectual Property important?**

- 22.3 Like any assets, Intellectual Property is an essential factor in ensuring business continuity within the Council, and the effective delivery of Council services. It is critical, therefore that the Council puts in place adequate controls over the ownership, storage and use of all Intellectual Property.
- 22.4 The Council holds a large quantity of information for a variety of purposes. As such, it is essential that an overall strategy is in place and implemented for the management of such information to ensure consistency, value for money, accuracy and that any relevant laws are followed.

### **22.5 Key Controls**

- In the event that the Authority decides to become involved in the commercial exploitation of inventions, the matter should proceed in accordance with the authority's approved intellectual property procedures.
- The Data Protection Act must be considered in relation to the creation, storage and distribution of Intellectual Property.

- 22.6 **Responsibilities of Chief Finance Officer**
- To develop and disseminate good practice through the Authority's intellectual property procedures.

- 22.7 **Responsibilities of Directors**
- To ensure that controls are in place to ensure that officers do not carry out private work in Council time and that officers are aware of an employer's right with regard to intellectual property.

## **23. Staffing**

### **What are Staff?**

- 23.1 Council staff are an essential part of providing the highest level of quality services. Staff are the greatest single item on which the Council spends its budget. It therefore carries not only one of the highest degrees of risk but is also one of the most complex areas. It is therefore crucial that procedures and guidance issued by Human Resources are followed precisely. Examples of areas where procedures exist are:
- recruitment;
  - pay and rewards;
  - attendance management;
  - health and safety;
  - discipline; and
  - grievances

### **Why are Staff important?**

- 23.2 In order to provide the highest level of service, it is crucial that the Authority recruits and retains high calibre, knowledgeable staff, qualified to an appropriate level within the resources available.

### **23.3 Key Controls**

- The key controls for staffing are:
- procedures are in place for forecasting staffing requirements and cost
- controls are implemented to ensure that officer's time is used efficiently and to the benefit of the Authority
- checks are undertaken prior to employing new officers to ensure that they are appropriately qualified, experienced and trustworthy
- managers communicate all changes to staff (including starters and leavers) to Human Resources and Payroll as soon as possible to ensure financial and operational records are kept up to date

- 23.4 **Responsibilities of Chief Finance Officer**
- To ensure that budget provision exists for all existing and new officers.

### 23.5 **Responsibilities of Directors**

- To produce an annual staffing budget.
- To ensure that the staffing budget is an accurate forecast of staffing levels and is equated to an appropriate revenue budget provision.
- To monitor officers' activity to ensure adequate control over such costs as sickness, overtime, training and temporary officers.
- To ensure that the staffing budget is not exceeded without due authority and that it is managed to enable the agreed level of service to be provided.
- The Head of Human Resources to act as an advisor to Directors on areas such as national insurance and pension contributions, as appropriate.
- To ensure that the Head of Human Resources and the Chief Finance Officer are informed if the staffing budget is likely to be materially over or under spent.
- To ensure that all changes to staff (including starters and leavers) are communicated to Human Resources and Payroll as soon as possible to ensure financial and operational records are kept up to date and that appropriate check lists are completed.

## 24. **Financial Systems**

### **What are Financial Systems?**

- 24.1 Financial systems are all computerised systems that directly or via interface are responsible for generating payments to or from the Council.

### **Why are Financial Systems Important?**

- 24.2 Financial Systems are where details of all transactions with the Council are held. It is important that these are accurate so that the underlying transactions are correct.

### 24.3 **Key Controls**

- Access control and security of the Council's Financial systems should be maintained.
- Systems should be reconciled periodically to ensure consistency of data stored within.

### 24.4 **Responsibilities of Chief Finance Officer**

- Approve any new financial systems and interfaces to be introduced.

- Ensure appropriate testing of new financial systems and testing of interfaces between systems prior to their introduction.
- Ensure appropriate reconciliation between all financial systems.
- For all corporate financial systems:
  - Ensure all input is genuine, complete, accurate, timely and not previously processed
  - All processing is carried out in a complete, accurate and timely manner
  - Output from all systems is complete, accurate and timely in an agreed format
  - Effective contingency and disaster recovery arrangements exist for all computerised systems, to include; back-up / rollback and processes to deal to an interruption to the system
  - Ensure systems are documented and staff trained in the operation of them
  - Correct any errors identified during the interfacing or reconciliation processes

#### 24.5 **Responsibilities of Directors**

- Seek approval of the Chief Financial Officer before changing any existing system or introducing any new financial system.
- For all business area specific financial systems:
  - Ensure all input is genuine, complete, accurate, timely and not previously processed
  - All processing is carried out in a complete, accurate and timely manner
  - Output from all systems is complete, accurate and timely in an agreed format
  - Effective contingency and disaster recovery arrangements exist for all computerised systems, to include; back-up / rollback and processes to deal to an interruption to the system
  - Ensure systems are documented and staff trained in the operation of them
  - Correct any errors identified during the interfacing or reconciliation processes

## 25. **Income Collection and Management**

### **What is Income Collection and Management?**

25.1 Some Services have the facility to charge for the services provided as part of their day to day operations. All charges must ensure compliance with the relevant statutes governing local authority activities. Charges may be levied in advance when a service is booked, at the point of sale or by the raising of a debtors invoice after the service has been delivered. Examples of these include:

- **Charges at point of sale:**
  - entrance fees;
  - cultural activities
  - car parking; and
  - professional fees e.g. Local Search fees and Planning Permission Fees.

- **Debtor Invoices**
  - sundry debtors.

25.2 The Council also collects income arising from local taxation, namely Council Tax and Business Rates, and income from parking penalty notices.

### **Why is Income Collection and Management important?**

25.3 The collection of income is a significant part of the Council's business and is a vulnerable asset. Effective revenue collection systems are necessary to ensure that all revenue due is identified, collected, receipted and banked securely and effectively. It is preferable to obtain revenue in advance of supplying goods or services as this improves the Authority's cash flow and also avoids the time and cost of administering debts. In order to ensure that cash flow is maximised and costs are minimised, it is essential that income is collected in as complete and timely manner as is possible. This would normally be at the point of sale or service.

### **25.4 Key Controls**

- All debtor invoices must be raised via the Corporate Debtors system. Invoices raised need to be appropriate and legitimate and are calculated correctly.
- All income due to the Authority is legitimate, recorded and charged correctly, in accordance with an approved charging policy, which is regularly reviewed.
- Value Added Tax (VAT) at the appropriate rate must be levied and collected in line with VAT guidance.
- All income is collected from the correct person, at the right time, using the correct procedures and the appropriate stationery. Appropriate supporting documentation is retained in the event of debt recovery procedures being invoked.
- All money received by an employee on behalf of the Authority is banked in a timely manner, to the Authority's bank and is properly recorded in the Council's financial system.
- There is adequate separation in duties in identifying amounts due and the responsibility for collection, as far as is practicable.
- All debtor invoices must be raised via the Corporate Debtors system or other authorised debtor systems.
- Effective action is taken to pursue non-payment within defined timescales.
- Formal approval in accordance with the authorised limits (see Appendix A), for debt write-off is obtained.
- Appropriate accounting adjustments are made following write-off action.

- All appropriate income documents are retained and stored for the defined period in accordance with the document retention schedule.
- Money collected and deposited is reconciled to the bank account by a person who is not involved in the collection or banking process.

#### 25.5 **Responsibilities of Chief Finance Officer**

- To agree arrangements for the collection of all income due to the Council and to approve the procedures, systems and documentation for its collection and accounting for VAT.
- To approve the design of controlled stationery and arrangements for its control and security.
- To agree the write-off of bad debts in accordance with the Scheme of Delegation. To develop and maintain a Corporate Debt Management Policy.
- To develop and maintain up to date procedural guidance for the collection of income due to the Council.
- To ensure that appropriate accounting adjustments are made following write off action.
- To establish and initiate appropriate recovery procedures, including legal action where necessary, for debts that are not paid promptly.
- To seek approval from Council on an annual basis for discretionary fees which will apply to transactions in the following financial year.

#### 25.6 **Responsibilities of Monitoring Officer**

- To provide guidance on the retention and storage of income related documents.
- To provide guidance to ensure compliance with the relevant statutes governing local authority activities.
- To arrange appropriate insurance for all Council safes, as necessary.

#### 25.7 **Responsibilities of Directors**

- To establish a charging policy for the supply of goods or services, including the appropriate charging of VAT, and to review it annually, in line with corporate policies.
- To determine where charges can be made at point of sale and where there is a need to raise a debtors invoice.
- To establish adequate procedures and controls to ensure that all staff entrusted with Council money are properly accountable.

- To separate the responsibility for identifying amounts due and the responsibility for collection, as far as is practicable and ensure staff are clear of their roles and responsibilities.
- To issue official receipts or to maintain other documentation for income collection. Officers must issue machine printed or official receipt forms or tickets when receiving all monies due to the Council. All official receipt forms (miscellaneous receipt books) shall be pre-printed, and Officers must sign all such receipts when issued.
- To ensure that at least two employees are present when post is opened so that money is received by post is properly identified and recorded under arrangements agreed with the Chief Finance Officer.
- To hold securely receipts, tickets and other records of income for the appropriate period.
- To order and issue all controlled stationery (receipt forms, books or tickets and similar items). The design of controlled stationery and arrangements for its control and security should be approved by the Chief Finance Officer.
- To lock away all income to safeguard against loss or theft, and to ensure the security of cash handling.
- To ensure that income is paid fully and promptly into the appropriate Authority bank account in the form in which it is received.
- To reconcile monies collected to evidence bankings in accordance with procedures determined by the Chief Finance Officer.
- To keep a record of all overs and shorts so that any necessary adjustments can be made by arrangement with the Chief Finance Officer.
- To ensure income is not used to cash personal cheques or other payments.
- To supply the Chief Finance Officer with details relating to work done, goods supplied, services rendered or other amounts due, to enable a sundry debtor invoice to be raised in a form approved by the Chief Finance Officer.
- To ensure that sundry debtor invoices are raised promptly and within seven calendar days of supply and the debt is supported by sufficient documentary evidence.
- To ensure that VAT is appropriately applied and the correct VAT category is used.
- Directors have a responsibility to assist the Chief Finance Officer in collecting debts that they have originated, by providing any further information that may be requested by the debtor or by Legal Services in the event of Court action.



- To ensure that cash held on premises does not exceed approved limits and adequate insurance coverage has been obtained.
- To keep a record of every transfer of money between employees of the Authority. The receiving officer must sign for the transfer and the transferor must retain a copy.
- To recommend to the Chief Finance Officer all debts to be written off and to keep a record of all sums written off up to the approved limits. Once raised, no bona fide debt may be cancelled, except by full payment or by its formal writing off. A credit note can only be issued in relation to a debt in order to correct a factual inaccuracy or administration error in the calculation and/or billing of the original debt.
- To obtain the approval of the Chief Finance Officer when writing off debts in excess of the approved limit, and the approval of Cabinet where required.
- To notify the Chief Finance Officer of outstanding revenue relating to the previous financial year as soon as possible after 31 March in line with the timetable determined by the Chief Finance Officer.

## **26. Ordering and Payment of Works, Goods and Services**

### **What is Ordering and Payment for Goods and Services?**

- 26.1 Every day officers within the Council will order and/or authorise payments for goods and services. An order is a formal instruction requesting goods and services for which a payment will be given. An order should be electronic, represent a commitment on behalf of the Council, and form a contract with suppliers.
- 26.2 The Council has Contract Procedure Rules in place which aim to achieve value for money in the purchase of goods and services. These rules set the framework to ensure that procurement delivers value for money across all services and directly contributes to the achievement of our corporate priorities.

### **Why is ordering and payment important?**

- 26.3 Public money should be spent with demonstrable probity and in accordance with the Authority's policies. Authorities have a statutory duty to achieve best value in part through economy and efficiency. The Authority's procedures should help to ensure that services obtain value for money from their purchasing arrangements. These procedures should be read in conjunction with the Contract Procedure Rules.
- 26.4 **Key Controls**
- All goods and services are ordered only by appropriate persons and are correctly recorded.

- Only authorised officers set up in the corporate finance system can authorise unless in exceptional circumstances as approved by the Chief Finance Officer.
- Goods and services received are checked to ensure they are in accordance with the order.
- Payments are not made unless a valid purchase order is provided, goods have been received by the Authority to the correct prices, quantity and quality standards unless in exceptional circumstances as agreed by the Chief Finance Officer.
- All payments are made to the correct supplier, for the correct amount and are properly recorded, regardless of payment method.
- Normal method for all payments is via BACS.
- All appropriate evidence of the transaction and payment documents are retained and stored for the defined period, in accordance with the document retention guidelines.
- All expenditure, including VAT is accurately recorded against the right budget and any exceptions are corrected. If VAT is being re-claimed there is a need to ensure that it is appropriate to do so and a VAT invoice is provided.
- All invoices with Construction Industry Tax liability are accurately processed in accordance with the scheme.
- All invoices are addressed to South Kesteven District Council.
- In addition, the effect of e-business/e-commerce and electronic purchasing requires that processes are in place to maintain the security and integrity of data for transacting business electronically.

#### 26.5 **Responsibilities of Chief Finance Officer**

- To ensure that the Authority's main financial systems and procedures are sound and properly administered.
- To approve any changes to existing financial systems and to approve any new systems before they are introduced.
- To make payments from the Authority's funds on the authorisation of officers in line with the Authorised Limits (see Appendix A) that the expenditure has been duly incurred in accordance with financial regulations.
- To ensure the security, safe keeping and maintenance of blank cheques.
- To ensure that payments are authorised in accordance with the bank mandate.
- To ensure payments are processed for the correct amount.

- To make payments, whether or not provision exists within the estimate, where the payment is specifically required by statute or is made under a court order.
- To make payments to contractors based on the certification of the appropriate Director or nominated representative which must include details of the value of work, retention money, amount previously certified and amounts now certified.
- To provide advice and encouragement on making payments by the most economical means.
- To ensure that a budgetary control system is established that enables commitments incurred by placing orders to be shown against the appropriate budget allocation so that they can be taken into account in budget monitoring reports.

## 26.6 **Responsibilities of Directors**

- To ensure that officers use e-procurement for the raising of purchase orders and details of goods/services receipted are recorded in the system unless there are exceptional circumstances as approved by the Chief Finance Officer.
- To ensure that goods and services are purchased in accordance with the Council's Contract Procedure Rules.
- To ensure orders for goods and services are correctly addressed.
- To ensure that orders are only used for goods and service provided to the department or are purchased for recharge to voluntary organisations providing services that complement those provided by the Council.
- To ensure individuals do not use official orders to obtain goods or services for their private use.
- Each order sent to a supplier must include the contract price or quotation obtained as well as the contract/quotation reference.
- All invoices are in the name of South Kesteven District Council and contain accurate information in line with the order.
- To ensure invoices are processed in a timely manner.
- To ensure that where access to the computerised ordering system is available it is used to create a commitment to be shown against the budget head. Any exemption from this requirement to be subject to the approval of the Chief Finance Officer.
- To ensure that there are sufficient officers authorised to act on the Directors behalf for approving orders and paying invoices without orders. The approval limits should not exceed the Authorised Limits (see Appendix A).

## **27. Grant Payments**

### **What are Grant Payments?**

- 27.1 South Kesteven District Council recognises and values the contribution that community and voluntary organisations make to their communities. Accordingly, grants are given to them to deliver services and activities that are in line with the Council's priorities, aims and objectives. This funding supports a range of activities including grants to the third sector.

### **Why are Grant Payments important?**

- 27.2 Grant payments are important as they are designed to help and support those organisations, often those who may have access to only limited resources, who provide services and organise activities for the local community. As this funding is sourced from public sources, it is important to ensure that it is spent in an appropriate way.

### **27.3 Key Controls**

- Checks are undertaken on the integrity and financial standing of organisations to be funded.
- All applications are facilitated through a standard application form which requires various information including up to date accounts, bank statements, constitution, DBS information and child protection policies (where applicable) and expected outcomes which will arise from the funding provided. The amount of information requested will be proportionate to the amount of funding granted.
- Procedures are in place for the review and approval of grant applications, ensuring that expected outcomes align with Council priorities, aims and objectives.
- Funding agreements are signed off by both parties to confirm the terms and conditions on which the provision of funding is based. This will include the outcomes expected, performance indicators, and reporting requirements.
- Monitoring arrangements are established to ensure that evidence is provided by the organisation on a periodic basis to confirm that outcomes have been achieved in line with the grant funding agreement and that systems, processes and financial controls remain appropriate.

### **27.4 Responsibilities of Chief Finance Officer**

- To ensure that all grant payments are properly recorded in the Council's accounts.

### **27.5 Responsibilities of Directors**

- To ensure that grant awards are consistent with Council priorities, aims and objectives.
- To ensure grants awarded are in line with available budgets.
- To ensure that appropriate monitoring arrangements are in place, thereby obtaining assurance that funding has been applied for the purposes intended.
- To ensure that all grant payments are subject to annual consideration and approval.

## **28. Purchase Cards**

### **What are Purchase Cards?**

- 28.1 Purchase cards are a form of company charge card that allows goods and services to be procured. Purchase cards are issued directly to employees.

### **Why are Purchase Cards important?**

- 28.2 Purchase cards provide the Council with another method of payment for goods and services and reduces the need for cash within the Authority. Purchase cards also provide the Authority with greater visibility of ad-hoc transactions.

### **28.3 Key Controls**

- All purchase card transactions must be logged on the financial system.
- All purchase card transactions must be matched to the bank transaction and authorised by the authorising manager.
- Cards must be held securely and not shared.
- Purchase cards must not be used for personal transactions.
- Purchase cards must only be used by the individual who it is assigned to.
- Purchase cards will only be issued to individuals who have received appropriate training.
- Individual transaction and monthly limits must be agreed by the authorising manager.
- Purchase cards must only be used in accordance with the prevailing policy.

### **28.4 Responsibilities of Chief Finance Officer**

- To provide guidance to all officers on the proper use of Purchase Cards within the Council.
- To ensure that appropriate accounting guidelines are in place for transactions where the purchase card is used, including the accounting for VAT.
- To approve purchase cards to be issued to individual officers and approve individual and monthly transaction limits.
- To arrange cancellation of the Purchase Cards when an officer leaves the Authority.
- To provide guidance on receipt retention.

## 28.5 **Responsibilities of Directors**

- To comply with the rules and guidance provided by the Chief Finance Officer.
- To set the individual and monthly transaction limits.
- To ensure that officers who are allocated Purchase Cards and their Managers are aware of their responsibilities regarding this (and further detail contained within the Purchase Card User Guide).
- To ensure that the card is returned to the Exchequer team, in person, in the event the cardholder leaves the Authority.
- To ensure that VAT receipts are retained for the appropriate period.

## 29. **Payments to Employees and Members**

### **What are Payments to Employees and Members?**

- 29.1 As part of main Council business, the Council has to pay officers their salaries. In addition, payments can be made for other expenses which they have occurred on behalf of their duties.
- 29.2 Salaries and wages are paid in accordance with the approved Establishment List for the Council. Salaries are paid on the third Friday of each month, partly in advance and partly in arrears. All payments are made by BACS.
- 29.3 Members' allowances are paid monthly through the payroll system.

### **Why are Payments to Employees and Members important?**

- 29.4 Officer costs are the largest item of expenditure for most Councils. It is, therefore, important that payments are made accurately, timely, made only when they are due and that payments accord with individuals' conditions of services.
- 29.5 It is also important that all payments are made accurately, recorded and accounted for and that Members allowances are authorised in accordance with the scheme adopted.

## 29.6 **Key Controls**

Key controls are:

- Proper authorisation procedures are in place and that there is adherence to corporate timetables and procedures in relation to the prompt notification of all changes including:
  - Starters;
  - Leavers;
  - Variations; and
  - Enhancements.
- All payments are made in accordance with the terms and conditions of employment, and approved timesheets and claims where appropriate;
- Frequent reconciliation of payroll expenditure against approved budget and bank account;
- All appropriate payroll documents are retained and stored for the defined period in accordance with the document retention schedule; and
- HMRC regulations are complied with.

#### 29.7 **Responsibilities of Chief Finance Officer**

- To arrange and control secure and reliable payment of salaries, wages, compensation or other emoluments to existing and former officers, and to determine and approve the associated procedures.
- To record and make arrangements for the accurate and timely payment of tax, superannuation and other deductions complying with statutory requirements.
- To make arrangements for payment of all travel and subsistence claims or financial loss allowance.
- To make arrangements for paying Members travel or other allowances upon receiving the prescribed form, duly completed and authorised.
- To provide advice to secure payment of salaries and wages by the most economical means.

#### 29.8 **Responsibilities of Directors**

- To ensure appointments are made in accordance with the regulations of the Authority and approved establishments, grades and scale of pay and that adequate budget provision is available.
- To notify the HR Service of all matters affecting payments as soon as possible and in the required manner. In particular:

- appointments, resignations, dismissals, suspensions, secondments and transfers;
  - absences for sickness or other reason, apart from approved leave;
  - changes in pay rates, other than pay awards and agreements of general application; and
  - information necessary to maintain records of service for superannuation, income tax and national insurance.
- To ensure that adequate and effective systems and procedures are operated so that:
    - payments are authorised to bona fide officers only;
    - payments are only made where there is a valid entitlement;
    - conditions and contracts of employments are correctly applied; and
    - officer's names listed on the payroll are checked at regular intervals to verify accuracy and completeness.
  - To ensure all officers' expenses are paid via payroll.
  - To certify travel and subsistence claims and other allowances. Certification is taken to mean that journeys were authorised and expenses properly and necessarily incurred, and that allowance are properly payable by the Authority, ensuring that cost-effective use of travel arrangements is achieved. Due consideration should be given to tax implications and that the Chief Finance Officer is informed where appropriate.
  - Officers' claims submitted more than six months after the expenses were incurred will be assessed and determined, for payment or otherwise, by the Director. The Chief Finance Officer will provide guidance on which the assessments and determination can be made.
  - To ensure that the Chief Finance Officer is notified of the detail of any employee benefits in kind, to enable full and complete reporting within the income tax self-assessment system.
  - To ensure that all appropriate payroll documents are retained and stored for the defined period in accordance with the document retention guidelines.

## 30. Taxation

### What is Taxation?

- 30.1 There are five types of taxation which the Council will be aware of and take account of when it carries out its business. These are:
- Value Added Tax (VAT);
  - Income Tax and National Insurance;



- Construction Industry Scheme (CIS) Tax;
- Insurance Premium Tax; and
- Corporation Tax (on companies it controls)

30.2 Each has its own rules and relates to different areas of the Council's business.

### **Why is Taxation important?**

30.3 Like all organisations, the Authority is responsible for ensuring its tax affairs are in order. Tax issues are often very complex and the penalties for incorrectly accounting for tax are severe. It is therefore very important for all Officers to be aware of their role.

30.4 Detailed consideration of future spending is required to ensure that the Council can continue to recover all the VAT it incurs, both on new schemes and on its existing expenditure. It is therefore important for all officers to be aware of their role in ensuring the Council's compliance with and adherence to HMRC's VAT Regulations and the requirements of the Council's VAT guidance.

30.5 It is important that the Council does not waste resources through under recovery of VAT, failing to identify taxable transactions and account for VAT due at the correct time, unnecessarily incurring non-UK VAT that is generally unrecoverable, or by making poor decisions due to inadequate information.

### **30.6 Key Controls**

- Budget Managers are provided with the relevant information and kept up to date on tax issues.
- Budget managers are instructed on required record keeping.
- All taxable transactions are identified, properly carried out and accounted for within stipulated timescales.
- Records are maintained in accordance with instructions.
- Returns are made to the appropriate Authorities within the stipulated timescale.

### **30.7 Responsibilities of Chief Finance Officer**

- To ensure that there are proper arrangements in place for the administration and accounting of the four areas of taxation.
- To ensure that all arrangements comply with the Council's statutory responsibilities.
- To complete a monthly return of VAT input and outputs to HMRC.
- To provide details to HMRC regarding the CIS Tax deduction scheme.
- To maintain up-to-date guidance for officers on taxation issues in the taxation manual on the Intranet with updates on significant changes.

- Complete the Council's annual partial exemption calculation and ensure that, as far as possible, this is not exceeded.
- Provide VAT advice, both strategically and operationally.
- To complete all HMRC returns regarding PAYE, on a timely basis.

30.8

### **Responsibilities of Directors**

- To ensure that the correct VAT liability is attached to all income due.
- To ensure that all VAT recoverable on purchases complies with HMRC regulations.
- To ensure that all capital work and revenue development is notified to the Council's VAT Officer at the earliest opportunity where any of the following apply:
  - significant VAT is incurred;
  - any VAT-exempt income is generated; or
  - there are non-cash benefits, e.g. Land swap or provision of services at below market price.
- To fund any interest charges or penalties falling upon the Council from HMRC that result from their Directorate's failure to account for the correct VAT at the correct time.
- To retain all VAT-related documents in accordance with the Council's document retention policy.
- To ensure that, as far is possible, tax is accounted for in the correct tax accounting period.
- To ensure that, where construction and maintenance works are undertaken, the contractor fulfils the necessary construction industry tax deduction requirements.
- To ensure that all persons employed by the Authority are added to the Authority's payroll and tax deducted from any payments, except where the individuals are bona fide self-employed or are employed by a recognised agency.
- To ensure officers are aware of and follow the guidance on taxation issued by the Chief Finance Officer in the Authority's Tax manual.
- To ensure that officers are aware of their responsibilities in relation to self-billing (see self-billing regulation).

## **31. Document Retention**

### **What is Document Retention?**

- 31.1 Laws and best practice provide requirements and guidelines for the retention and maintenance of documents, along with details as to how long they should be kept. A Document Retention Policy provides a systematic way of deciding to keep or destroy documents which have been received or created in the course of business. It gives guidance on how documents should be kept and how they should be destroyed.

#### **Why is Document Retention important?**

- 31.2 Document Retention is important as it provides a means of supplying evidence which verifies that income and expenditure recorded in the Council's financial statements is valid, accurate and complete. External organisations also require such confidence. There are strict guidelines and legal requirements in place to satisfy bodies such as HMRC.

- 31.3 A document retention policy will help to simplify the running of a Service by promoting efficiency and freeing up valuable storage space. Also, a document retention policy can protect you, ensuring you have evidence for your practice when required, and help makes sure laws are being followed.

#### **31.4 Key Controls**

- An understandable and clearly communicated Document Retention Policy is in place.
- All key areas of the Councils operations are covered within the policy.

#### **31.5 Responsibilities of Chief Finance Officer**

- To ensure that a comprehensive Document Retention Policy is in place and this is in line with statutory guidance.

#### **31.6 Responsibilities of Directors**

- To ensure compliance with the guidance within their services.
- To ensure that any amendments to the guidance are reported to the Records Manager on a timely basis.

## **32. Partnerships (including Joint Ventures and Companies)**

#### **What are Partnerships?**

- 32.1 Partnerships provide alternative arrangements for the Council to ensure services are delivered to the local community. This may be better than providing the services directly or by procuring a service from another agency.

#### **Why are Partnerships, Joint Ventures and Wholly Owned Companies Important?**

- 32.2 The distinctive role of the Council is one of leadership to bring together the contributions of the various agencies. We therefore need to deliver a shared vision of services based on user wishes. Partnerships play a key role in delivering community strategies and in

helping to promote and improve the well-being of the area. The Council can work in partnership with others - public agencies, private companies, community groups and voluntary organisations.

- 32.3 There are many reasons to enter into partnerships including:
- Providing new and better ways of delivering services to our residents
  - Creating formal structures to bind partners to work together long-term for shared objectives
  - Sharing risk with others
  - Accessing new resources, including funding
  - Forging new relationships
- 32.4 **Key Controls**
- All partnerships should be appropriately constituted, with clear and unambiguous rules for decisions, expenditure, goals and responsibilities.
  - All partnerships should file accurate annual returns in a timely manner, in an appropriate form to the nature of the partnership.
  - The key aims of the partnership should be agreed and committed to from all partner agencies.
- 32.5 **Responsibilities of Chief Finance Officer**
- To ensure that the accounting arrangements to be adopted for each partnership are satisfactory.
  - To ensure that corporate governance arrangements and legal issues have been considered.
  - To ensure that risks are fully appraised and reported before agreements are entered with external agencies.
  - To ensure that any specific insurance is considered for any officers or members acting formally as a Director to any formally constituted company.
  - To ensure that the Council's share of any financial impact is appropriately fed into the financial statements, medium term financial planning and budget planning processes.
- 32.6 **Responsibilities of Directors**
- To develop a suitable business case setting out the purpose of each partnership proposed and why the proposed route is the best to meet the Council's objectives.
  - To ensure appropriate approvals are obtained before any negotiations are concluded with external agencies.
  - To ensure that appropriate processes are put in place to represent the interests of the Council, in line with their stake in any partnership arrangement.

- To monitor the Council's share of any financial impact of the partnership is incorporated into the Council's budget monitoring processes.
- To monitor all other performance aspects of the partnership.

### **33. External Funding including Grant applications**

#### **What is External Funding?**

- 33.1 Sources of external funding provide additional resources to enable the Council to deliver services to the local community. This can be provided by the in-house service, or by commissioning partners or other agencies. Care needs to be taken, to ensure that the funding conditions meet the aims and objectives of the Council.
- 33.2 Smaller organisations may be prohibited from bidding for directly accessing some sources of external funding, relying on the Council to effectively sponsor their business case. If the Council accepts, then it becomes the accountable body for the grant; making it ultimately responsible for its correct use.

#### **Why is External Funding important?**

- 33.3 External funding is a very important source of income, especially at a time when the Council's resources are limited and scarce. However, funding conditions need to be carefully considered to ensure that they are compatible with the aims and objectives of the Authority.
- 33.4 Local authorities are increasingly encouraged to provide seamless service delivery through working closely with other organisations and private service providers. Funds from external agencies provide additional resources to ensure that the Council objectives are achieved. By acting as Accountable Body for others, the Council may enable projects to proceed and support the achievement of wider objectives within its area.

#### **33.5 Key Controls**

The key controls for external funding are:

- to ensure that the key conditions of funding are understood and complied with; including planning and approval for any match funding and revenue costs associated with any capital grant (such as ongoing maintenance costs).
- to ensure that funds are acquired only to meet the priorities approved in the policy framework by the Council;
- to ensure that risks associated with the funding are known and mitigated – particularly around the potential future clawback of external funding
- to ensure any long-term constraints on assets is understood, recorded and adhered to, which arise from conditions attached to accepted grants.

- to assign a service area responsible for oversight of performance of any agency where the Council is acting as Accountable Body for external funding.
- to have a developed exit strategy for when the grant concludes.

### 33.6 **Responsibilities of Chief Finance Officer**

- To ensure that all funding applications are reviewed prior to submission
- To ensure that all funding notified by external bodies is received and properly recorded in the Authority's accounts.
- To ensure that any match funding requirements are considered prior to entering into agreements and the future revenue budgets reflect these requirements.
- To ensure that the revenue implications that arise from one off capital grants are understood before the grant is applied for..
- To ensure that any necessary claims or returns are made within the deadlines set.
- To ensure that audit requirements are met.
- To include the income and expenditure in the Council's Annual Statement of Accounts.
- To advise on requirements for ensuring that the Council's duties as Accountable Body for external funding are met
- To adjust the budgets in line with appropriately approved and awarded grants.

### 33.7 **Responsibilities of Directors**

- To ensure all applications for funding are consistent with the Council's priorities and have been reviewed by the Chief Finance Officer prior to submission
- To seek appropriate approval to accept any external funding in line with the authorised limits (see Appendix A).
- To ensure risks, constraints and any ongoing funding commitments are documented and fully considered against the benefits of any grants received.
- To ensure that all claims for funds and other returns are made accurately and duly signed by the due date.
- To ensure that the project progresses in accordance with the agreed programme and that all expenditure is properly incurred and recorded.

- To ensure that the appropriate approval is obtained prior to incurring additional expenditure on schemes, projects, programmes etc. which is to be financed wholly by additional grants or other income.
- To ensure that relevant documentation is retained in accordance with the terms of the grant as per the Council's document retention scheme.
- To provide on an annual basis details of external funding which have been agreed.
- To provide a breakdown of projected income and expenditure each year so that these can be properly budgeted for in the Council's financial system.
- To ensure appropriate performance monitoring of any funding where the Council is acting as Accountable Body.

## **34. Work for External Parties**

### **What is Work for External Parties?**

- 34.1 Legislation enables the Council to provide a range of goods services to both individuals and organisations. Various pieces of legislation cover whether costs can be recovered, the extent a surplus can be earned and whether there are restrictions on the use of any income received. The requirements may be directly agreed with the Council, or it may choose to bid to provide a service via a tender process.

### **Why is Work for External Parties important?**

- 34.2 Work may be chargeable and enable a unit to maintain economies of scale and existing expertise. Depending on the service and the recipient then the income may contribute to the Council's central running costs.

### **34.3 Key Controls**

- Ensure that the work falls within the Council's statutory powers.
- Ensure all parties are clear about what services are being provided and the basis of any such provision.
- Ensure risks associated with the work are known, documented and appropriately managed.
- Ensure proposals are costed properly and any charges are within Council's statutory powers.

### **34.4 Responsibilities of Chief Finance Officer**

- Ensure that all income and expenditure relating to External parties is contained within the Council's Annual Statement of Accounts.

- Support business areas to calculate costs associated with any service offered.
- Adjust budgets in line with any agreed changes in income and expenditure resulting from any approved works for External Parties.

#### 34.5 **Responsibilities of Directors**

- Ensure that appropriate approval is sought in advance of any formal agreement to proceed in line with the Authorised Limits (see Appendix A).
- Ensure that the business area has the appropriate expertise and capacity to undertake any work before committing the Council into provision.
- Ensure that appropriate documentation is agreed between the parties including what services are being provided, charges, timing and trigger points of payments.
- Ensure risks are identified in advance and a risk management plan put in place; this could include:
  - Appropriate insurance provision
  - Appropriate timing of payments
  - Appropriate contract management
- To provide a breakdown of any projected income and any additional expenditure each year so that these can be properly budgeted for in the Council's financial system and included within the Statement of Accounts.



## Appendix A

### Authorised Limits

Operationally there are a series of decisions that are required to allow services to operate efficiently without seeking approval from Council each time (for example moving budgets, accepting grants or writing off bad debt). This Appendix sets out limits and responsibilities for these matters.

Nothing contained within this Appendix prohibits formal delegation by Full Council or Cabinet to delegate greater limits or a project, scheme or area basis.

### Virements - Revenue Budgets (sections 6, 32 and 33 of Financial Regulations)

Virements (adjustments) to revenue budgets can take place under a range of circumstances:

- Revenue (current year only) – can be between employee to employee budgets or non-employee to non-employee budget lines (see section 6 of Financial Regulations) \*
- Revenue (grant funded) – note such changes will only be for the period of the grant (see section 32 of Financial Regulations)
- Revenue (external income) – this should only be for the duration of any contract, unless there is an expectation that income will be sustainable (see section 33 of Financial Regulations)

The scheme of virements must be administered and maintained by the Council's Chief Finance Officer in accordance with the following thresholds:

Senior Officer Lead	Finance Lead	Revenue Budget expenditure, grant and income
Head of Service	Senior Accountant/Team Leader	Up to £50,000
Assistant Director / Director	Chief Finance Officer	£50,001 -£100,000
Director	Chief Finance Officer	£100,001 - £250,000
Chief Executive	Chief Finance Officer	Over £250,000

## Capital Budgets Amendments (Section 3 of Financial Regulations)

Virements and amendments to capital budgets can take place under a range of circumstances:

- Capital (grant funding and funding from reserves) – if we have successful in securing grant funding or there is approved use of a reserve to finance capital expenditure
- Capital (external contribution) – if we have received income from another external source (such as a developer contribution)
- Capital (intra-scheme transfer) – if a scheme is going to overspend and this can be contained by transferring from another scheme in the same financial year without a risk that this will lead to an overspend in that scheme

The table below sets out as a minimum the approval required from the business, finance and members depending on the size of the change:

Senior Officer	Finance Lead	Capital
Head of Service	Senior Accountant/Team Leader	Up to £100,000
Assistant Director/Director	Chief Finance Officer	£100,001 - £250,000
Director	Chief Finance Officer (in consultation with the Cabinet Member for Finance)	£250,001 - £500,000
Chief Executive	Chief Finance Officer (in consultation with the Cabinet Member for Finance)	Over £500,000

## Additions to Budgets (Sections 2 (Capital) & 3 (Revenue) of Financial Regulations)

Additions to the approved budget framework where no external funding has been secured (including creation of new service areas) can be agreed by Cabinet or Full Council as per the limits in the following table:

Approval Body	Revenue and Capital
Cabinet	Up to £250,000 per addition up to £1,000,000 cumulative per financial year
Full Council	Over £250,000 per addition and over £1,000,000 cumulative (per financial year)

## Approval to use General Fund and Housing Revenue Account R reserves with the exception of the relevant Working Balances

Accessing reserves to fund specific one-off expenditure can be agreed by the Chief Finance Officer or Cabinet Member as per the limits in the following table:

Service Area Senior Lead Proposer	Approval by Finance Lead	Consultation	Limit
Director	Chief Finance Officer		Up to £150k
Director	Chief Finance Officer	Leader, Cabinet Member for Finance and Chief Executive	Over £150k

**Authorised Signatories (Section 26 of Financial Regulations)**

The following table sets out the limit per transaction for raising orders, approving invoices (without an order), approving expenses to employees and approving lease agreements; noting that no payment should be split into smaller components to circumvent these limits.

<b>Authorised By</b>	<b>Authorised Limit for Orders &amp; Invoices</b>	<b>Authorised Limit for Payroll &amp; Expenses</b>	<b>Authorised Period for Lease Agreements</b>
Staff below Team Leader Level	Up to £1,000	N/A	N/A
Team Leaders or equivalent	£1,001 - £25,000	Up to £1,000	Less than 12 months
Heads of Service	£25,001 - £100,000	£1,001 - £5,000	Less than 12 months
Assistant Directors/Directors	£100,001 - £250,000	Over £5,000	Less than 12 months
Director	Over £250,000 - £1,000,000		
Chief Finance Officer	Over £1,000,000	Over £5,000	12 months and over

The Chief Finance Officer can, based upon a satisfactory explanation of need, agree an increase for officer(s) within a business area, for any amount up to the Chief Finance Officer's current limit.

**Bad Debt Write-Off (Section 25 of Financial Regulations)**

Any debit or credit balance under £50 per individual debt can be written-off by a Head of Service (or equivalent) without the need to be counter-signed. In all other cases, each write-off will be countersigned by the Chief Finance Officer or their deputy as appropriate as laid out in the table below.

<b>Proposed by:</b>	<b>Authorised By:</b>	<b>Delegated Limit (per debt)</b>
Team Leader or equivalent)	Head of Service or equivalent	£50 - £5,000
Head of Service or Equivalent	Relevant Director	£5,001 – £10,000
Director	Chief Finance Officer	£10,001 – £50,000
Chief Finance Officer	Chief Finance Officer & Cabinet for Finance	Over £50,000

### **Emergency Payments under the Emergency Plan (Section 5 of Financial Regulations)**

- Director (in consultation with Chief Executive or Chief Finance Officer) up to £100,000
- Leader and Chief Executive in excess of £100,000

## **Definition of Roles**

Throughout the document references are made to job titles and roles. During the period of the Regulations it is possible that titles will change. Therefore the updated title shall be equivalent (in terms of the management structure) to the title used in this document.

**Recommended Periods For The Retention Of Records****Appendix B****Type of Document****Retention Period (Years)****Accountancy/Financial**

Abstract of accounts

Audited accounts

6

Budgetary control records

Retain indefinitely

Costing records

6

Estimate working papers

6

Financial ledgers

2

Grant claim records

6

Investment records

6

Journals

2

Leasing records

6

Loans records

2

Records re closing ledgers

Retain indefinitely

Telephone call records

6

VAT claims

2

VAT records

6

Voluntary fund accounts

3

6

South Kesteven District Council  
Financial Regulations  
April 2022

## South Kesteven District Council Financial Regulations

### Bank Related Records

Bank paying-in books/slips	6
Bank reconciliation	6
Bank statements	6
Cancelled cheques	2
Cheque books and counterfoils	6
Cheque lists (creditors/payrolls)	2
Loan records and correspondence	2
Paid cheques	4
Returned cheque records	2

### Contracts

Final accounts of contracts executed under hand	6
Final accounts of contracts executed under seal	12
Successful tenders	3 years after final payment
Unsuccessful tenders	Retain until final payment is made

### Creditor Records

Copy orders	2
Credit notes	6
Creditor invoices	6
Delivery notes	2
Imprest documentation	2
Periodic payment records	6

## **External Funding**

Funding documentation and associated invoice/payment details

6 years or in accordance with the terms of the individual grant requirements

## **Income Records**

Cash books

6

Correspondence (income)

2

Debtor accounts (records non-current)

2

Income posting slips and tabulations

2

Periodic income records

2

Receipt books

2

Record of receipt books issued

2

Registrar's quarterly returns

2

Sales records

2

## **Miscellaneous Records**

Annual report

Retain indefinitely

Bound copies of minutes

Retain indefinitely

Capital works tabulations

2

Car leasing and mileage records

3

Car loans

3

Computer system documentation

2

Inland Revenue documentation

6

Inventory records

6



Land searches	6
Member allowances	2
Minutes	2
Postal remittance registers	2
Stock lists	2
Travel claims	6
Valuation lists	Retain indefinitely
Vehicle logs	2

### **Insurance Records**

Expired insurance contracts	Retain indefinitely
Insurance claims	6
Insurance policy documentation	Retain indefinitely
Insurance register	Retain indefinitely

### **Payroll**

BACS amendments and output	3
Building society tabulations	3
Copy payslips	6
Correspondence	6
Life certificates (pensions)	2
Monthly BACS listing	3
NI file cashbook	2

NI number changes	2
Payroll adjustment documentation	6
Part time employees' claim forms	6
Pensions personal records	Retain indefinitely
SSP records	4
Staff transfer records	6
Starters' forms	2
Superannuation Records	Retain indefinitely
Tax and NI records	6
Tax code notifications	2
Timesheets	6
Union documentation	2
Weekly BACS listings	3

**Note:**

- The period of years shown, relates to a complete period following the end of the financial year to which the record relates.
- No documents or records should be disposed of until notification has been received from the District Auditor of the completion of the audit of accounts for the year to which the records relate.
- If a suitable period of retention is in doubt, please refer to the Chief Finance Officer.

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**SOUTH  
KESTEVEN  
DISTRICT  
COUNCIL**

## **Governance and Audit Committee**

Wednesday, 21 January 2026

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

## **Review of Strategic Risk Register**

### **Report Author**

Tracey Elliott, Governance & Risk Officer

✉ tracey.elliott@southkesteven.gov.uk

### **Purpose of Report**

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

### **Recommendation**

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

### **Decision Information**

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

## **1. Implications**

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

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

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

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

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

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

*Completed by: James Welbourn, Democratic Services Manager*

## **2. Background to the Report**

- 2.1 One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the risk management arrangements in place and the activities that are being undertaken to mitigate those risks. In accordance with Governance and Audit Committee's workplan, the Strategic Risk Register is presented to Committee three times a year for review.
- 2.2 Ensuring the ongoing effectiveness of the internal control environment is incumbent on those charged with governance at the Council. In doing so, the Council can demonstrate that it is protecting public funds, resources, and assets as well as staff, customer, and wider stakeholder interests. The Governance and Audit Committee rely on a number of assurance mechanisms for this purpose, including reports generated from within the Council, Scrutiny and Overview, and external reports from other bodies such as internal and external audit.
- 2.3 The Strategic Risk Register was last reviewed by the Committee at its meeting on 24 September 2025. Since this date the Strategic Risk Register has been kept under review and updated accordingly.

2.4 The Corporate Management Team has undertaken an assessment of the effectiveness of the strategic risk controls as identified in the Strategic Risk Register. The assessment considered the:

- (i) existence of the control
- (ii) consistency of application
- (iii) outcome of the control ie has it achieved its purpose

2.5 The assessment is based on the Corporate Management Team's judgement informed by their cumulative knowledge and experience of the controls and enablers included in the Strategic Risk Register.

### 3. Summary

3.1 An effectiveness assessment of the key controls that manage the strategic risks was facilitated by RSM on 16 December 2025, with Corporate Management Team. In doing so the existing risks were reviewed along with risk scoring and the actions to help better manage the strategic risks in the future were updated. These changes are annotated in the Strategic Risk Register appended to this report.

3.2 The assessment led to the following judgements with regards the strategic risk controls:

**Effective** – Controls and enablers were deemed to exist, be consistently applied, and achieve the outcome expected

**Partially Effective** – There were improvements that could be made with regards to strengthening the controls and enablers, with improvement actions at a macro level identified

**Not Effective** – Controls were not performing as required and improvement actions at a more detailed level identified

3.3 In completing the exercise all strategic risk controls were deemed effective or partially effective. None were deemed ineffective.

3.4 The table overleaf provides an overview of the outcomes of the exercise with the specific details contained within the Strategic Risk Register found at Appendix A. Following the table the risk matrix heat map highlights where each specific risk is ranked.

Risk & Risk Appetite	Management Self- Assessment of Controls (Dec 2025)	Residual Risk Score Change	Action Change
1. Successful/serious cyber security attack on the Council  <b>Averse</b>	Controls all currently deemed <b>Effective</b>	No change	One new action. Previous actions considered complete
2. Health, Safety, Wellbeing, and Safeguarding failures by the Council  <b>Averse</b>	Controls all currently deemed <b>Effective</b>	No change	No change
3. Unable to maintain financial sustainability (general fund)  <b>Cautious</b>	Controls all currently deemed <b>Effective</b>	Likelihood reduced from 3 to 1 as the Council General Fund looks to be stabilised into the medium term (next 2 years)	Previous actions considered complete
4. Unable to maintain and build sufficient staffing capacity and capability  <b>Cautious/Open</b>	Controls all currently deemed <b>Effective</b>	No change	One new action. Previous actions considered complete
5. Unable to meet requirements of new regulations and legislation affecting the Council  <b>Minimal</b>	Controls all currently deemed <b>Effective</b>	Likelihood increased from 1 to 2 due to recent incoming rules related to planning decisions	One new action
6. Societal, demographic and cultural changes impacting on communities within the district  Open	Controls all currently deemed <b>Effective</b>	Likelihood reduced from 3 to 2 following re-assessment of risk	Previous action remains in progress
7. Major Governance failure  <b>Averse</b>	Controls all currently deemed <b>Effective</b> with exception of two controls identified as <b>Partially Effective</b>	No change	One new action. Previous action remains in progress
8. Significant fraud/theft successfully committed against the Council  <b>Averse</b>	All currently deemed <b>Effective</b>	No change	Previous actions remain in progress



Risk & Risk Appetite	Management Self-Assessment of Controls (Dec 2025)	Residual Risk Score Change	Action Change
9. Increasing pressure on the Housing Revenue Account (HRA) viability due to the challenges of providing and maintaining quality social housing provision within the district <b>Minimal</b>	Controls all currently deemed <b>Effective</b> within the context of the HRA risk	Likelihood increased from 3 to 4 due to the range of challenges facing the HRA	One new action. Previous action considered complete
10. The implications and general uncertainty of Local Government Reorganisation on the Council <b>Open/Hungry</b>	Controls all currently deemed <b>Effective</b> within the context of the LGR risk	No change	Two new actions. Previous actions considered complete
11. Not leveraging the opportunities of Devolution <b>Hungry</b>	Controls all currently deemed <b>Effective</b> within the context of the devolution risk	No change	Previous actions considered complete

### Risk Matrix

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

## **4. Conclusion**

- 4.1 The Committee can take assurance from the management assessment that the strategic risk control environment is deemed in the main effective and in some cases partially effective.
- 4.2 In all cases consideration has been given to what action can be taken to improve and strengthen the strategic risk controls, taking into account the risk appetite.

## **5. Next steps**

- 5.1 A further review by Corporate Management Team of the Strategic Risk Register will be undertaken before the end of the financial year with the outcomes being reported at a future meeting to this Committee.

## **6. Key Consideration**

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

## **7. Reasons for the Recommendations**

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

## **8. Appendices**

- 8.1 Appendix A – Draft Updated Strategic Risk Register

## Appendix A – Draft Updated Strategic Risk Register – January 2026

Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><b>1. Successful/serious cyber security attack on the Council</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Averse</b> <i>We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• Lack of effective cyber security detection arrangements (out of date, not communicated, not understood)</li> <li>• Lack of relevant and timely training relating to cyber security</li> <li>• Lack of clarity in roles and responsibilities relating to cyber security</li> <li>• Cyber security culture not bought into</li> <li>• Insecure digital systems and records (Council and third-party providers)</li> <li>• There are increasing frequency of attacks and with increased complexity occurring</li> <li>• Institutions are being targeted by criminals and aggressive states</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Inability to access systems – unable to deliver services</li> <li>• Data compromised – potential harm to individual/ICO fine</li> <li>• Investigation and rectification costs</li> <li>• Council reputation damage</li> </ul>	<ul style="list-style-type: none"> <li>– Cyber security strategy in place</li> <li>– Up to date and effective IT and cyber security protections in place which are reviewed annually and are communicated to staff</li> <li>– Cyclical mandated IT and cyber security training provided to all staff</li> <li>– Elected Member cyber security training in place</li> <li>– Two-factor authentication now in place for elected members</li> <li>– Defined roles and responsibilities in relation to cyber security with an IT security lead</li> <li>– Regular communications, reminders, and updates to staff in connection with cyber risk</li> <li>– Programme for continuous updating/ installation of software (including firewall) and new hardware etc</li> <li>– Regular reporting and monitoring of IT security/cyber incidents and remedial plans produced and actioned</li> <li>– Engagement with national organisations and attendance at key events to ensure continuous learning of threats and prevention</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Effective</b></p>	<p>Impact 4 V Likelihood 2 = High 13</p> <p><b>Note:</b> <i>There is no change currently</i></p>	<p><b>NEW ACTION:</b></p> <p>The Council has received MHCLG funding to strengthen SKDC cyber resilience. An action plan is now being developed to enable the effective deployment and operationalisation of the new cyber security strategy. The action plan will be ready by early part of 2026.</p>

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Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><b>2. Health, Safety, Wellbeing, and Safeguarding failures by the Council</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Averse</b> <i>We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• Lack of effective application of health, safety, wellbeing and safeguarding policies and procedures (out of date, not communicated, not understood)</li> <li>• Lack of relevant and timely training relating to health, safety, wellbeing, and safeguarding</li> <li>• Lack of clarity in health, safety, wellbeing, and safeguarding roles and responsibilities</li> <li>• Health, safety, wellbeing, and safeguarding culture not bought into</li> <li>• Lack of effective health, safety, wellbeing, and safeguarding risk assessments</li> <li>• Poorly maintained systems and records</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Harm to service user/staff member/visitor etc</li> <li>• Investigation and rectification costs (including potential fines)</li> <li>• Council reputation damage</li> </ul>	<ul style="list-style-type: none"> <li>– Corporate Health &amp; Safety and Safeguarding policies and procedures in place which are regularly reviewed and are accessible via intranet and included as part of induction for all new starters</li> <li>– Health &amp; Safety Manager and Safeguarding Lead Officers in post to provide safety advice and coordinate health and safety and safeguarding activities ie policy, procedures, communications, initiatives etc</li> <li>– Roles and responsibilities defined within the Health &amp; Safety and Safeguarding policies</li> <li>– Health &amp; Safety and Safeguarding annual reports to Governance &amp; Audit Committee</li> <li>– Health &amp; Safety and Safeguarding monthly reports presented to Statutory Officers Group</li> <li>– Monthly meetings with Chief Executive and Health &amp; Safety Manager</li> <li>– Health &amp; Safety Manager and Safeguarding Lead Officer communicate important issues to Senior Leadership Team for their consideration and agreement of action necessary</li> <li>– Service and activity risk assessments undertaken across the Council by managers and cyclically reviewed annually (as a minimum)</li> <li>– Physical deterrents including secure sites eg perimeter fencing, CCTV, site security and access to sites by authorised staff</li> <li>– Monthly housing compliance review by Chief Executive and Leader to ensure embeddedness of</li> </ul>	<p>Impact 4 V Likelihood 1 = Medium 10</p> <p><b>Note:</b> <b>There is no change currently</b></p>	<p>Continuance of existing controls to ensure risk is being managed</p>

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Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
		<p>safety, wellbeing, and safeguarding arrangements for tenants</p> <ul style="list-style-type: none"> <li>– Exercise with Caution List maintained and subject to regular review</li> <li>– Programme of Health &amp; Safety audits with outcomes reported and actions monitored</li> <li>– County Council S11 annual Independent Audit to validate safeguarding arrangements with outcomes reported to Governance &amp; Audit Committee</li> <li>– Statutory Officers Group receive a monthly report of accident figures with causes/ failures highlighted. Actions agreed and monitored</li> <li>– 6 year safeguarding training programme in place for identified Council staff</li> <li>– Annual Safeguarding training mandatory for elected members</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Effective</b></p>		
<p><b>3. Unable to maintain financial sustainability (general fund)</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Cautious</b></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• External factors being increasing costs (macro economic play through largely outside of controls) eg energy, supplies, local government financial settlement and fair funding review implications, resetting of business rates etc, or unforeseen financial event and cost</li> </ul>	<ul style="list-style-type: none"> <li>– Medium Term Financial Plan supported by relevant policies, including modelling of various funding arrangements and scenarios re general fund (these will be reported to Cabinet)</li> <li>– Monthly financial reports including assessment/discussion of financial position produced and presented at Corporate Management Team</li> <li>– Financial Regulations and Contract Procedure Rules in place and regularly reviewed and updated</li> </ul>	<p>Impact 4 V Likelihood 1 = Medium 10</p> <p><b>Note: Likelihood reduced from 3 to 1 as the Council General</b></p>	<p>Continuance of existing controls to ensure risk is being managed</p>

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Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><i>We are willing to accept some degree of residual risk where we have identified scope to achieve proportionate benefit – striking a balance between the two.</i></p>	<ul style="list-style-type: none"> <li>• Implications of Local Government Reorganisation on finances</li> <li>• Poor financial information, planning, and budgetary control</li> <li>• Weak financial controls – financial procedures are out of date, not communicated, not understood, not followed</li> <li>• Lack of clarity in roles and responsibilities relating to finances/financial management</li> <li>• Poorly maintained systems and records</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Council financial stability threatened</li> <li>• Council plans stifled</li> <li>• Council reputation damage</li> <li>• Qualified External Audit Opinion</li> </ul>	<ul style="list-style-type: none"> <li>– Financial training for all finance staff and budget holders</li> <li>– Scheme of Delegation in place and transparency in Officer Delegated Decision reporting</li> <li>– Service management monthly budget management routines including meetings with finance team as required</li> <li>– Statutory Officers review of committee reports for financial implications including commentary as appropriate</li> <li>– Quarterly budget report to Finance and Economic Overview and Scrutiny Committee and Cabinet</li> <li>– Annual Budget Joint Overview &amp; Scrutiny Committee</li> <li>– Experienced finance team including Procurement Officer and support from Welland Procurement Partnership</li> <li>– Internal audit plan adopted by Governance &amp; Audit Committee and monitored</li> <li>– Annual Governance Statement production and publication</li> <li>– Annual financial statements produced and signed off by CMT (and subject to external audit – unqualified opinion)</li> <li>– Regular bi-monthly meeting with External Audit, Chief Executive, and Section 151 Officer</li> <li>– Annual Member training delivered</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Effective</b></p>	<p><b>Fund looks to be stabilised into the medium term (next 2 years)</b></p>	

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Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><b>4. Unable to maintain and build sufficient staffing capacity and capability</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Cautious (and in some cases Open)</b> <i>We are willing to accept some degree of residual risk where we have identified scope to achieve proportionate benefit – striking a balance between the two.</i></p> <p><i>In some cases we may take on an <b>Open risk appetite</b> where we are willing to explore a range of options and new solutions where we believe the potential benefits outweigh the residual risks and so we take informed risks e.g sharing of posts with other councils etc.</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• Certain areas, services, and roles within the Council are more challenging to recruit into e.g. planning</li> <li>• Competition and skill shortage in the marketplace to fill vacancies (intensified by LGR)</li> <li>• LGR uncertainties ie increased leavers due to staff looking for alternative employment or older staff retiring from local government etc</li> <li>• The Council is not seen as sufficiently attractive as an employer (image and profile, rewards and benefits, culture and values etc)</li> <li>• Lack of personal/career development, progression, and succession opportunities (intensified by LGR)</li> <li>• Poor performance goes unchecked – not identified and not addressed</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Inconsistencies or deterioration in quality of service/provision</li> <li>• Reduced knowledge and experience within the Council</li> </ul>	<ul style="list-style-type: none"> <li>– People Strategy 2025-2030 in place and monitored by Employment Committee</li> <li>– All vacant and new posts subject to a business case and challenged to review if the post is still required at the requested grade prior to progression</li> <li>– Alternative service provision options considered/explored as appropriate eg buying in services/sharing posts etc</li> <li>– Job evaluation scheme with regular review of market conditions</li> <li>– Regular Joint Consultative and Negotiation Committee meetings</li> <li>– Employee Assistance Programme in place</li> <li>– Internal development through training and apprenticeships</li> <li>– Corporate training plan in place with focus on middle managers for upskilling and training</li> <li>– #Team SK Values embedded within the Council</li> <li>– Talent Management Strategy</li> <li>– Succession Planning</li> <li>– Employment Committee receive quarterly HR dashboard data</li> <li>– Development and improvement plans in place with SMART KPIs</li> <li>– Annual appraisal and staff development plans in place for all staff completion and outcomes subject to monitoring and review</li> <li>– Annual staff survey with outcomes reported to the Employment Committee</li> <li>– Equality &amp; Diversity/gender pay gap assessment</li> </ul>	<p>Impact 3 V Likelihood 2 = High 9</p> <p><b>Note:</b> <i>There is no change currently</i></p>	<p><b>NEW ACTION:</b></p> <p><b>The Council is developing an action plan to support operationalisation of the recently developed People Strategy by 31 March 2026</b></p>



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	<ul style="list-style-type: none"> <li>• Deterioration in service user/stakeholder experience and outcomes</li> <li>• Inefficiency/increased costs experienced</li> </ul>	<ul style="list-style-type: none"> <li>– Pay policy presented to Employment Committee and Council annually</li> <li>– Use of apprenticeship schemes to enable home grown talent</li> <li>– Annual service planning undertaken which aligns to the Corporate Plan priorities</li> <li>– Wellbeing programme in place</li> <li>– Chief Executive annual appraisal undertaken by external officer and presented to Employment Committee</li> <li>– Use of contractors as required to address capacity/ capability gaps</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Effective</b></p>		
<p><b>5. Unable to meet requirements of new regulations and legislation affecting the Council</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Minimal</b></p> <p><i>We shall seek a low degree of residual risk, in a well controlled environment</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• Lack of awareness or visibility of emerging/ new regulations and legislation</li> <li>• Ineffective (untimely) interpretation to enable understanding of requirements and implications</li> <li>• Lack of communications/learning and development to meet new requirements across the Council</li> <li>• Ineffective response plans – what, how, who, and when</li> </ul>	<ul style="list-style-type: none"> <li>– Departments undertake regular horizon scanning for new legislation</li> <li>– Monitoring Officer and Deputy Monitoring Officer in place</li> <li>– Regular reporting on breaches of legislation/ regulations produced by Monitoring Officer</li> <li>– Attendance at professional events and conferences</li> <li>– LGA links, District Councils' Network, LG Futures, CIPFA, and APSE wider networks etc used to raise awareness of legislative and regulatory changes</li> <li>– Daily briefing email to Chief Executive from the MHCLG</li> <li>– Review of any government data sets where the Council may be an outlier</li> </ul>	<p>Impact 3 V Likelihood 2 = High 9 (previously Medium)</p> <p><b>Note: There is an increase in likelihood of this risk occurrence due to recent incoming rules related to</b></p>	<p><b>NEW ACTION:</b></p> <p><b>A paper will be taken to the Council's Joint Scrutiny Committee for consideration re the new planning rules and actions that are required in early 2026</b></p>



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<p><i>with limited benefit potential.</i></p>	<ul style="list-style-type: none"> <li>• Ineffective response – lack of resources, knowledge and experience, funding etc</li> <li>• Currently an increasing number of legislative and regulatory changes impacting local government. In particular new planning rules which will focus on the quality of decisions being made and the number of appeals / outcomes relating to major applications.</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Ultra vires activities – the Council could be subject to legal challenge</li> <li>• Deterioration in quality of services</li> <li>• Council reputation damage</li> </ul>	<p><b>Management self-assessment of controls at December 2025: <i>All currently deemed Effective</i></b></p>	<p><b>planning decisions.</b></p>	
<p><b>6. Societal, demographic and cultural changes impacting on communities within the district</b></p> <p><u>Corporate Priorities</u> <b>Effective Council Enabling Economic Opportunity</b></p> <p><u>Risk Appetite</u> <b>Open</b></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• Increasing level of misinformation in the public domain</li> <li>• Increasing/shifting elements of extremism, poverty, ethnicity within communities creating new demands and tensions</li> <li>• Increasing levels of distrust by the public in institutions and politicians</li> <li>• The Council has no mechanism for identifying and assessing shifts in society and assessing implications</li> </ul>	<ul style="list-style-type: none"> <li>– Local Economic Forum in place</li> <li>– Engagement of SK Team with key partnerships</li> <li>– Community Engagement Strategy and Plan</li> <li>– Community consultation framework adopted</li> <li>– External Communications Plans including digital comms (web site and social media)</li> <li>– Youth Council in place</li> <li>– Chief Executive/Directors/Cabinet/Members networking within communities and with agencies operating across communities</li> <li>– Parish councils' engagement</li> </ul>	<p>Impact 2 V Likelihood 2 = Medium 5 (previously High)</p> <p><b>Note: Likelihood reduced to a 2 following re-assessment of risk</b></p>	<p>Undertake a review of stakeholders including communities and neighbourhoods to ensure the Council is seeking to continually effectively engage, including way and means of communication – this remains in progress due to level of volatility which in each case</p>

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Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><i>We are willing to explore a range of options and new solutions where we believe the potential benefits outweigh the residual risks and so we take informed risks.</i></p>	<ul style="list-style-type: none"> <li>• Lack of confidence in politicians and institutions</li> <li>• Ineffective channels of communication with communities and individuals</li> <li>• Service user needs are now often more complex coupled with an expectation that the Council will meet their needs</li> <li>• Inaccessibility of/erosion of wider public services and other agencies including charities leading to the Council becoming the focal point for assistance and help</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Stakeholder interests not best served</li> <li>• Erosion of confidence in the Council and increased public criticism (perceived or reality)</li> <li>• Increased pressure on Council resources, services, staff and Members</li> <li>• Potential undermining of governance, suboptimal services and erosion of democracy</li> </ul>	<ul style="list-style-type: none"> <li>– State of District report produced annually and presented to Cabinet</li> <li>– Annual Monitoring Statement produced and presented annually</li> <li>– Attending service specific conferences to seek service improvements and innovative ideas</li> </ul> <p><b>Management self-assessment of controls at December 2025: <i>All currently deemed Effective</i></b></p>		<p>requires a new reassessment of ways and means of engagement with communities</p>

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<p><b>7. Major Governance failure</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Averse</b></p> <p>We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.</p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• Lack of clearly defined committee structure and procedures, including terms of reference to support effective decision making and scrutiny</li> <li>• Behavioural expectations of members (eg adherence with the Nolan Principles/ Standards in Public Life) are not clearly set out (not communicated or recognised).</li> <li>• Lack of governance measurement – ineffective processes, non-adherence and poor behaviours go unidentified/not tackled</li> <li>• Lack of Member development programme</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Ineffective/inefficient decision making</li> <li>• Illegality</li> <li>• Stakeholder dissatisfaction</li> <li>• Local democracy undermined – reputation damage</li> </ul>	<ul style="list-style-type: none"> <li>– Up to date Constitution in place</li> <li>– Clearly defined committee structure in place</li> <li>– Up to date Terms of Reference for all committees</li> <li>– Member and Officer Scheme of delegation in place</li> <li>– Governance training provided at induction and cyclical updates</li> <li>– Committee effectiveness assessment (annually). Action plans developed to address areas of concern <b>(Partially Effective)</b></li> <li>– Committee chairs are sufficiently experienced and trained to fulfil role <b>(Partially Effective)</b></li> <li>– Up to date policies and procedures including compliance which are subject to cyclical review and are communicated to staff (and accepted)</li> <li>– Council decisions published</li> <li>– Annual Governance Statement produced and presented to Governance &amp; Audit Committee</li> <li>– Annual Code of Conduct mandatory training for elected Members</li> <li>– Processes in place for complaints, FOI, Subject Access Requests and data breaches which are reported monthly to Statutory Officers meeting</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Effective with exception to those identified as Partially Effective</b></p>	<p>Impact 3 V Likelihood 2 = High 9</p> <p><b>Note:</b> <b>There is no change currently</b></p>	<p>Undertaking review of constitutional decision-making documents. (This will progress once the new Director of Governance is in post).</p> <p><b>NEW ACTION:</b> <b>Introduce post committee/chairing reflection session</b></p>

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Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><b>8. Significant fraud/theft successfully committed against the Council</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Averse</b> <i>We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>Externally – increasing levels of attempted and successful digital fraud and theft occurring making use of AI etc</li> <li>Lack of effective anti/counter fraud (theft and corruption) policy and procedures (out of date, not communicated, not understood), including whistleblowing arrangements</li> <li>Lack of relevant and timely training relating to preventing/detecting fraud (theft and corruption)</li> <li>Lack of clarity in fraud/theft prevention roles and responsibilities</li> <li>Anti-fraud culture not bought into</li> <li>Poorly maintained systems and records</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>Investigation and rectification costs</li> <li>Council reputation damage</li> </ul>	<ul style="list-style-type: none"> <li>Counter Fraud Strategy in place</li> <li>Whistleblowing Policy in place</li> <li>Anti-Money Laundering Policy in place</li> <li>Internal audit appointed / Internal audit plan focussed on areas of high fraud risk e.g. depot stocks etc</li> <li>Governance &amp; Audit Committee</li> <li>Monthly Statutory Officers Group meeting</li> <li>Annual report on fraud prevention and detection arrangements at the Council</li> <li>Appropriately trained staff, appropriate culture and awareness, segregation of duties, whistleblowing procedures and closure reports</li> <li>Financial Regulations/Standing Orders, budget monitoring regime, financial management systems, indemnity insurance</li> <li>National Fraud Initiative/data matching</li> <li>External audit opinion explicitly addresses regularity</li> <li>Fraud risk assessment undertaken</li> <li>Monthly whistleblowing report presented to Statutory Officers</li> <li>External investigation undertaken where necessary</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Effective</b></p>	<p>Impact 4 V Likelihood 1 = Medium 10</p> <p><b>Note:</b> <b>There is no change currently</b></p>	<p>Develop fraud risk assessment action plan.</p> <p>Counter fraud, whistleblowing, and anti-money laundering training is being rolled out by 31 March 2026.</p>

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<p><b>9. Increasing pressure on the Housing Revenue Account (HRA) viability due to the challenges of providing and maintaining quality social housing provision within the district.</b></p> <p><u>Corporate Priority</u> <b>Housing</b></p> <p><u>Risk Appetite</u> <b>Minimal</b> <i>We shall seek a low degree of residual risk, in a well controlled environment with limited benefit potential.</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• Level of demand (due to various social economic factors) for accommodation exceeds availability</li> <li>• Stock condition/condition of rental property in the market does not meet regulatory standards</li> <li>• Lack of engagement/effective strategy between the Council and housing providers to address needs etc</li> <li>• Insufficient resources available – financial, people (capacity and knowledge) to allocate to addressing needs as well as new housing requirements/regulations eg Awaabs Law, new decent homes standard etc</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Increased level of poverty</li> <li>• Increased demand for support from the Council (and wider agencies) and increasing costs – significant impact on the HRA could be expected</li> <li>• Stakeholder dissatisfaction/reputation damage</li> <li>• Regulatory criticism/intervention including fines</li> </ul>	<ul style="list-style-type: none"> <li>– Up to date and relevant policies and procedures communicated to staff including new policies/procedures re damp and mould</li> <li>– Council housing stock condition survey</li> <li>– Council housing stock maintenance and repair programme</li> <li>– HRA reserves/funding</li> <li>– Council tenant engagement and surveying re experiences</li> <li>– Regular reporting to Housing Overview &amp; Scrutiny Committee and Finance Committee on housing performance</li> <li>– Liaison with wider agencies to address housing issues across the district</li> <li>– Local plan development kept under review</li> <li>– Council enforcement team assess private rental standards, developing improvement action plans with landlords</li> <li>– Housing KPI dashboards in place and reported monthly</li> <li>– Housing compliance monthly meeting with Chief Executive and Leader</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Partially Effective within the context of the HRA risk</b></p>	<p><b>Impact 3</b> <b>V</b> <b>Likelihood 4 (new score)</b> <b>=</b> <b>Very High 14 (previously High)</b></p> <p><b>Note:</b> There is an increase in likelihood of occurrence of this risk due to the range of challenges facing the HRA</p>	<p><b>NEW ACTION:</b></p> <p>A review of the 30 year HRA business plan revenue and capital outlook to ensure affordability is underway, this will once established become a rolling review as a HRA key control</p>

## Appendix A – Draft Updated Strategic Risk Register – January 2026

Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><b>10. The implications and general uncertainty of Local Government Reorganisation on the Council</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Open</b> (and in some cases <b>Hungry</b>)</p> <p><i>We are willing to explore a range of options and new solutions where we believe the potential benefits outweigh the residual risks and so we take informed risks.</i></p> <p><i>In some cases we may take on a <b>Hungry</b> risk appetite where we are eager to be innovative and choose and work with a range of options based on maximising opportunities and beneficial outcomes, even if those activities carry a very high level of</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• General uncertainties and unknowns created by the proposed reorganisation of local government and the creation of single tier authorities eg timing, clarity, expectations, implications for members and officers re future role and employment, provision of services and contracts, partnerships and collaborations, funding, third tier etc</li> <li>• Lack of available resources (capacity and capability)/bandwidth at the Council</li> <li>• Insufficient finances available to support and fund LGR activities</li> <li>• Lack of Council leadership, direction, engagement and preparedness re LGR</li> <li>• Inter-authority relationship challenges as Councils move towards LGR.</li> </ul> <p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• LGR risks/opportunities go unmanaged</li> <li>• The Council loses its ability to influence outcomes that will best serve residents</li> </ul>	<ul style="list-style-type: none"> <li>– CMT continue monitoring of LGR proposals and information in the public domain via various sources eg MHCLG, LGA, DCN, CIPFA etc</li> <li>– Chief Executive communications/briefings to staff on LGR</li> <li>– LGR project team and project plan established</li> <li>– Cabinet receive regular LGR updates from CMT</li> <li>– Actions plans created in response to LGR issues emerging and progress monitored</li> <li>– Parish Council/Town Council briefings and engagement sessions</li> <li>– Regular briefings to elected Members</li> <li>– Working in partnership with North Kesteven District Council</li> <li>– Professionals commissioned to advise on specific service modelling</li> <li>– Data agreement in place across Greater Lincolnshire &amp; Rutland County Council</li> <li>– Chief Executive monthly meeting with MHCLG Officers</li> <li>– Attend regular national briefings</li> <li>– Governance timeline for decision making in place</li> <li>– Completion of LGR submission risk assessment and SWOT analysis (these will be kept under review).</li> </ul> <p><b>Management self-assessment of controls at December 2025: All currently deemed Partially Effective within the context of the LGR risk</b></p>	<p>Impact 4 V Likelihood 3 = Very High 15</p> <p><b>Note:</b> <i>There is no change currently</i></p>	<p><b>NEW ACTION:</b> <b>Completion of LGR preparedness assessment</b></p> <p><b>NEW ACTION:</b> <b>Creation of LGR transition reserve</b></p>



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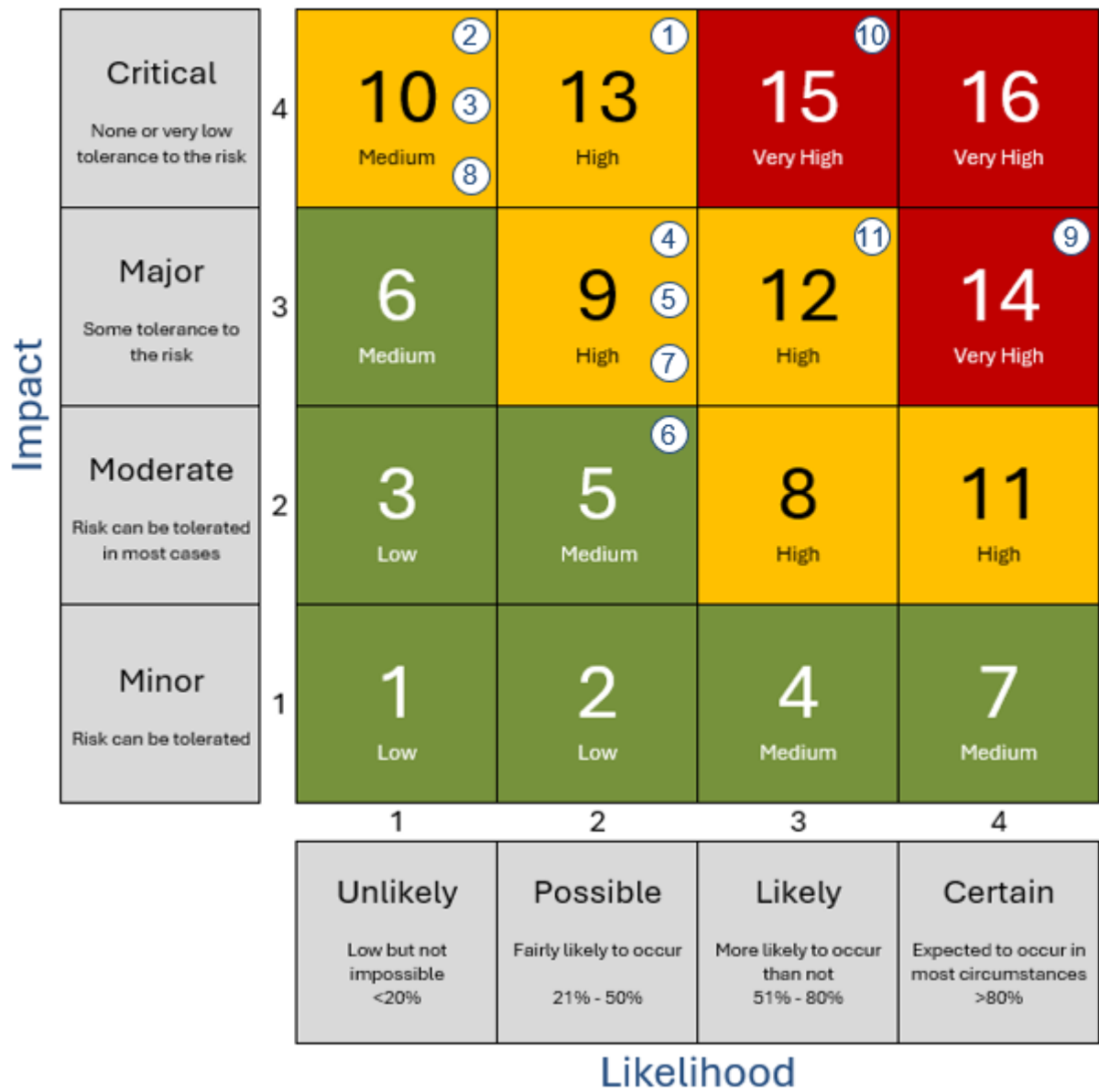
Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<i>residual risk eg where SKDC can see advantages in driving and influencing the agenda in the best interests of the Council stakeholders. In doing so we recognise that failures are an opportunity for learning and improvement.</i>	<ul style="list-style-type: none"> <li>• Quality of business as usual is compromised</li> <li>• Recruitment and retention challenges</li> <li>• Poor Value for Money</li> <li>• Criticism of the Council/Members</li> </ul>			
<p><b>11. Not leveraging the opportunities of Devolution</b></p> <p><u>Corporate Priority</u> <b>Effective Council</b></p> <p><u>Risk Appetite</u> <b>Hungry</b></p> <p><i>We are eager to be innovative and choose and work with a range of options based on maximising opportunities and beneficial outcomes, even if those activities carry a very high level of residual risk eg where SKDC can see advantages in driving and influencing the agenda in the best interests</i></p>	<p><b>Potential causes:</b></p> <ul style="list-style-type: none"> <li>• General uncertainties re devolution – clarity, expectations, implications for members and officers re future role and employment, provision of services and contracts, partnerships and collaborations, funding, third tier etc</li> <li>• Lack of available resources (capacity and capability)/bandwidth at the Council to support devolution activities</li> <li>• Insufficient finances available to support and fund devolution activities</li> <li>• Lack of visible communications and engagement by the GLCCA with the Council</li> </ul>	<ul style="list-style-type: none"> <li>– CMT continue monitoring of devolution proposals and information in the public domain via various sources eg MHCLG, LGA etc</li> <li>– Chief Executive communications/briefings to staff</li> <li>– Devolution project team established</li> <li>– Cabinet receive regular updates from CMT</li> <li>– Actions plans created in response to issues emerging and progress monitored</li> <li>– Chief Executive update from the combined Authority</li> <li>– District Joint Committee established</li> <li>– Leader represents South Kesteven on Committee</li> <li>– Nominations to sub committees and Mayoral Combined County Authority in place</li> <li>– Completion of devolution submission risk assessment and SWOT analysis (these will be kept under review).</li> </ul>	<p>Impact 3 V Likelihood 3 = High 12</p> <p><b>Note:</b> <b>There is no change currently</b></p>	<p>Continuance of existing controls to ensure risk is being managed</p>

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Strategic Risk Description, linkage with Corporate Priority and Risk Appetite	Potential key causes of the strategic risk and possible effects if realised	Existing Key Controls & Enablers (including effectiveness assessment)	Residual score	Action updates
<p><i>of the Council stakeholders. In doing so we recognise that failures are an opportunity for learning and improvement.</i></p>	<p><b>Possible effects:</b></p> <ul style="list-style-type: none"> <li>• Devolution risks/opportunities go unmanaged</li> <li>• The Council loses its ability to influence outcomes that will best serve residents</li> <li>• Quality of business as usual is compromised.</li> <li>• Recruitment and retention challenges.</li> <li>• Poor VFM</li> <li>• Criticism of the Council/members</li> </ul>	<p><b>Management self-assessment of controls at December 2025: <i>All currently deemed Partially Effective within the context of the devolution risk</i></b></p>		



Risk Matrix



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## Governance and Audit Committee Work Plan 2025-2026

Item	Current Issues/Status	Outcome Sought
<b>18 February 2026 (Provisional)</b>		
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
<b>18 March 2026</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
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
Treasury Management Q3 Report	To update on the treasury management activities during quarter 3	To be noted by the Committee
Amendments to the Constitution	To consider a number of amendments to the Constitution.	Recommendation to Full Council

Item	Current Issues/Status	Outcome Sought
<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
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
<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		
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		