



Auditor's Annual Report for South Kesteven District Council

Year-ended 31 March 2024

DRAFT

February 2025

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This report is addressed to South Kesteven District Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

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

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01

Executive Summary

Executive Summary

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Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of South Kesteven District Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the annual report and accounts.

Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



Accounts - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



Narrative statement - We assess whether the narrative statement is consistent with our knowledge of the Council.



Value for money - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



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

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

Findings

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

Accounts	We issued an unqualified opinion on the Council accounts on [Date]. This means that we believe the accounts give a true and fair view of the financial performance and position of the Council. We have provided further details of the key risks we identified and our response on page 7.
Narrative Statement	We did not identify any significant inconsistencies between the content of the narrative statement and our knowledge of the Council.
Value for money	We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources. Our opinion is that the Council does have appropriate arrangements in place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 10.
Other powers	See overleaf.

Executive Summary

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

Public interest reports

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

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

We have not issued a Public Interest Report this year.

Judicial review/Declaration by the courts

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

We have not applied to the courts this year.

Recommendations

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

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

We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.

We have not raised any other recommendations.

Advisory notice

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

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

We have not issued an advisory notice this year.

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Audit of the financial statements

Audit of the financial statements

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

- Give a true and fair view of the financial position of the Group and Council as at 31 March 2024 and of the Group's and the Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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

Our audit opinion on the financial statements

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

The full audit report is included in the Council's statement of accounts for 2023/24 which can be obtained from the Council's website.

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

Audit of the financial statements

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

Significant financial statement audit risk	Procedures undertaken	Findings
Valuation of Land and Buildings The council engages an external valuer to perform a valuation of land and buildings and council dwellings. There is a risk that these valuations are not reflective of the fair value of the property.	<p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.</p> <p>We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used.</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement.</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p> <p>We raised a recommendation in relation to the absence of a management review control over the review of assumptions used in the valuation.</p>
Valuation of investment property The council engages an internal valuer to perform a valuation of investment property. There is a risk that these valuations are not reflective of the fair value of the property.	<p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.</p> <p>We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used.</p> <p>We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement.</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p> <p>We raised a recommendation in relation to the absence of a management review control over the review of assumptions used in the valuation.</p>

Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
<p>Management override of controls</p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We evaluated the design and implementation of controls over journal entries.</p> <p>We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates indicate a possible bias.</p> <p>We analysed all journals through the year and focused our testing on those with a higher risk.</p>	<p>We did not identify any instances of management override of controls.</p> <p>We did not identify any instances of management bias.</p> <p>We raised a recommendation relating to the ability of journal postings to be made without segregation of duties between poster and approver.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p>Valuation of post retirement benefit obligations</p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p>	<p>We have evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations.</p> <p>We have performed inquiries of the accounting actuaries to assess the methodology and key assumptions made, including actual figures where estimates have been used by the actuaries, such as the rate of return on pension fund assets.</p> <p>We have agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation.</p> <p>We have evaluated the design and implementation of controls in place for the Council to determine the appropriateness of the assumptions used by the actuaries in valuing the liability.</p> <p>We have challenged, with the support of our own actuarial specialists, the key assumptions applied, being the discount rate, inflation rate and mortality/life expectancy against externally derived data;</p> <p>We have confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We evaluated the competency and objectivity of the Scheme actuaries, to confirm their qualifications and the basis for their calculations with no issues noted.</p> <p>We raised a recommendation in relation to the absence of a management review control over the review of actuarial assumptions used in the valuation.</p> <p>We agreed the data provided by the audited entity to the scheme administrator for use within the calculation of the scheme valuation with no issues noted.</p> <p>The overall assumptions are balanced in relation to KPMG's central rates and within KPMG's normally acceptable range.</p>

Audit of the financial statements

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Significant financial statement audit risk	Procedures undertaken	Findings
<p>Fraud risk from expenditure recognition</p> <p>The Council has a statutory duty to balance their annual budget. Where a Council does not meet its budget this creates pressure on the Council's usable reserves and this in turn provides a pressure on the following year's budget. This is not a desirable outcome for management.</p> <p>For the 2023/24 reporting period, management are reliant on utilising earmarked reserves to achieve a breakeven position and this creates a pressure on management to reduce expenditure in year. We consider this would be most likely to occur through understating accruals, for example to push back expenditure to 2024- 25 to mitigate financial pressures.</p>	<p>We evaluated the design and implementation of controls for developing manual expenditure accruals at the end of the year to verify that they have been completely and accurately recorded</p> <p>We inspected a sample of invoices and accruals of expenditure, in the period around 31 March 2024, to determine whether expenditure has been recognised in the correct accounting period and whether accruals are complete;</p> <p>We inspected journals posted as part of the year end close procedures that decrease the level of expenditure recorded in order to critically assess whether there was an appropriate basis for posting the journal and the value can be agreed to supporting evidence;</p> <p>We compared the items that were accrued at 31 March 2023 to those accrued at 31 March 2024 in order to assess whether any items of expenditure not accrued for as at 31 March 2024 have been done so appropriately.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised a recommendation in relation to the absence of a management review control to review manual accruals.</p>

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Value for Money

Value for Money

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Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



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



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



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

Approach

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

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

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

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	13	16	19
Identified risks of significant weakness?	✗ No	✗ No	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

Value for Money

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National context

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

Financial performance

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

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

Local context

- South Kesteven District Council employs over 500 staff and has a combined revenue and capital budget in excess of £100m, providing services across four services: Corporate, Governance and Public Protection Service; Finance, Property and Waste Services; Growth and Culture; Housing and Projects.
- During 2023/24 the Council has been operating in an environment of significant financial and service pressures, like many in the wider local government sector. This has included high inflation, increasing staff costs and high levels of demand for services.
- The 2023/24 financial plan was achieved without the use of the Budget Stabilisation reserve as the Council recorded increased investment and parking income while fuel and utility costs were lower than budgeted. The Council has a reasonable level of general fund reserves, when compared with its sector peers, that enable it to manage its financial position during the year.
- Looking ahead to the 2024/25 budget, the cost and demand pressures from 2023/24 do not ease but the Council is aiming to once again achieve a balanced position without using the Budget Stabilisation reserve, with forecast reductions in utility and fuel forecast and a continuation of higher than previously experienced investment interest rates.
- The Council's General Fund achieved a surplus at 31 March 2024 year end (£1.8m), with reserves of £25.3m. The Housing Revenue Account also achieved a surplus at year end (£0.6m), with reserves of £15.1m.
- As part of its Capital Plan the Council spent £21.1m against an adjusted budget of £27.5m, resulting in an underspend of £6.4m. This was largely driven by delayed projects.
- We are not aware of any adverse inspectorate findings in the year.

Financial Sustainability

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

We have considered the following in our work:

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

The budget setting process is a rolling process as part of the medium-term financial plan, this usually starts in the autumn of the previous year. For 2023/24, the preparation of the budget began in October 2022 with draft budgets approved in January 2023. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process.

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

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

For 2023-24, the Council set a balanced budget, with a planned use of £1,534k from the Budget Stabilisation Reserve. Throughout the year there were lower than expected adjustments to budget however the Council ultimately reported a net underspend of £1,958k against the adjusted budget with no need to use the Budget Stabilisation Reserve. The key drivers of these positive movements in the forecast were an underspend on Utilities (£757k) and Fuel (£173k) driven by lower than expected increases and improved investment income (£832k) due to higher interest rates. Overall, the Council is expecting closing General Fund reserves of £25.3m, which is above the Council's stated prudent minimum.

Financial Sustainability

DRAFT

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

We have considered the following in our work:

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

The Council's budget for 2023-24 included the requirement to deliver savings of £600k. Savings plans are developed as part of the overall budget setting process and therefore encounter the same levels of challenge, scrutiny and approval as the budget. Actions were identified where there were risks in financial performance for each service through the year. Savings are not separately reported but key savings identified in year are detailed in the reporting on significant variances to budget, for example, as a result of the corporate restructure. This demonstrates the Council's arrangements are operating effectively however we have raised a recommendation in relation to savings. There will be increased financial pressures in 2024/25 with a focus on achieving specific savings.

Under the medium-term financial plan, the Council has identified outstanding savings total for 2024/25 and 2025/26. Overall, as per the Corporate plan to 2027, the Council has identified a savings requirement of £1.15m. The objectives of the corporate plan, including key capital projects, are identified within the budget setting process to ensure consistency.

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

Financial Sustainability

The Council continues to support its wholly owned subsidiary Leisure SK Ltd. Leisure SK was in a deficit position through 2023/24 due to increased staff costs, utilities and an issue around irrecoverable VAT. In January 2024 subsidiary management requested an additional contribution from the Council of £273k. This was brought to the Culture and Leisure Overview and Scrutiny Committee in January 2024 and approved by Cabinet in February 2024. As part of this decision, Cabinet requested management prepare a viable financial plan for 2024/25 that would put the company on a sustainable footing, this would then undergo an independent review.

Conclusion

Based on the procedures performed, we have not identified a significant weakness associated with the arrangements in place to secure financial sustainability.

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Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit), excluding HRA	£0k (using £1,534k reserves)	£0k (using £22k of reserves)
Actual surplus/(deficit), excluding HRA	£1289k (underspend carried forward)	£205k (underspend carried forward)
Planned HRA (deficit)	£3,090k	£3,650k
Actual HRA surplus/(deficit)	£5,723k	£5,279k
Usable reserves	£75.9m	£74.9m
Gross debt compared to the capital financing requirement	0.82:1 (CFR: £101m)	0.83:1 (CFR: £104m)
Year-end borrowings	(£83m)	(£86.2m)
Year-end cash position	£18,334k	£17,607k

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

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

Governance

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

We have considered the following in our work:

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

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

The Strategic risk register is presented to Governance and Audit Committee twice a year for review. As at 31 March 2024, there were 15 risks contained within the strategic risk register; 12 were rated high (almost certain/critical) and 3 were rated medium (probable/major). The development of actions is completed using the risk management framework guidance. Actions use the Treat, Tolerate, Transfer, Terminate matrix to evaluate responses to the risk depending on the severity and likelihood. Monitoring is undertaken through either project management teams or boards. When reported to Governance and Audit committee, members are asked to consider the register and report any comments/issues to CMT and Cabinet who also receive the register. Committee reports for all key decisions are mandated to set out the key risk associated with the proposed decision.

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

The 2023/24 financial plan, as part of the medium-term financial plan, went through several levels of review prior to approval by the Council in March 2023. The financial plan includes a risk assessment of the key financial risks that the Council faces over the period. These risks are modelled to include increased utility and fuel costs, impact of national pay award, changes to council tax base, business rates base, interest rates etc. The analysis identifies a likelihood percentage and risk value amount, with a worst-case scenario impact on the current reserves.

Financial performance is monitored against budget regularly as outlined in the Financial Sustainability section. As part of reporting to Overview and Scrutiny Committee, variances against budget are clearly identified and explained. Any mitigating actions are also identified. During 2023/24 the Council has been able to manage increases in costs with increased investment income and car park income to mitigate the need for using the Budget Stabilisation Reserve.

Governance

DRAFT

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

We have considered the following in our work:

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

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

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

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

One such decision was to sell land at St Martin's Park. The Council purchased this land in 2019 as part of its economic development strategy. A demolition programme commenced in 2022 to remove the former factory on the site. This identified significantly higher levels of remediation work than initially planned for and as a result the costs of restoring the site was seen as a financial risk. In October 2023, the Council engaged an independent Valuer to perform an options appraisal of the project. These were presented to the Finance and Economic Overview and Scrutiny Committee in January 2024 and recommendations were sent to Cabinet for approval in February 2024.

The decision was taken by the Council to proceed with the disposal of the land and a number of actions were agreed to ensure the overall project would be delivered. This would help mitigate the deficit on the project.

The Council had also made key decisions in year in relation to new IT projects with a new Housing and Finance system due to be introduced in year.

From inquiries with the housing team we confirmed there was a project plan in place for the delivery of the project, with weekly meetings to ensure actions on each area were progressing. The go-live date for this project was January 2024 and no significant issues were identified in the initial roll-out. Some issues were noted in relation to the reporting from the system and this was one of the contributing factors in the delay in production of the Council's statement of accounts.

Governance

DRAFT

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

We have considered the following in our work:

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

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

During the year, there have been some changes in senior staffing. The Interim Director of Housing left in October 2023, with the Chief Executive taking on this role until March when the Deputy s151 officer at the time seconded to the Housing role. An interim replacement was appointed to the Deputy s151 role. The Council has subsequently confirmed the Housing Director position and a permanent replacement for s151 has been agreed. The change in the finance team impacted on the production of the draft annual statement of accounts, and they were published in September 2024 rather than the planned May 2024 deadline. The Council has reviewed its processes and will aim to have the draft annual statement of accounts prepared for the June 2025 deadline.

Conclusion

Based on the procedures performed, we have not identified a significant weakness associated with governance arrangements.

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	The organisation has an adequate and effective framework for risk management, governance, and internal control. (RSM)	Governance, Risk, Internal Control are performing adequately. Financial Control performing inadequately. (Assurance Lincolnshire)
Local Government Ombudsman findings	No significant findings	No significant findings
Housing Ombudsman findings	No significant findings	Not applicable

Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

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

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

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

The Council's performance framework is driven by the Corporate Plan priorities: Healthy & Strong Communities, Growth & Our economy and High Performing Council. The most recent performance reports is that for Q4, with monitoring of actions split across the different Overview and Scrutiny Committees. The Finance and Economic committee had 22 actions. Of those within Council control, 17 had been achieved and 1 was outstanding – this related to investment in new leisure centres. For those deemed either substantially or significantly outside Council control 1 had been achieved and 3 were outstanding – these related to delivery of St Martin's Park development scheme, opening of the University Centre in Grantham and the opening of the Grantham Southern relief road.

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

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

Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

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

The Council engages with key stakeholders to help develop the Council as an organisation. There have been numerous consultation with the public around Community Governance in year and Council tax and rate payers were consulted on proposed changes. In preparing the Council's Corporate Plan, residents are encouraged to comment on the Council's priorities, for example in relation to sustainability. Response rates are published in the plan and the 2023/24 narrative report to the accounts.

The Council has robust arrangements in place to deal with residents' complaints, FOI requests, Subject Access Requests, data breaches and whistleblowing allegations. The Council also engages with other local partners such as Legal Services Lincolnshire, Lincolnshire Police, Lincolnshire County Council. We note there has been no outsourcing of services in year. Risk assessment conclusion Based on the risk assessment procedures performed to date, we have not identified a significant risk associated with improving economy, efficiency and effectiveness.

Conclusion

Based on the procedures performed, we have not identified a significant weakness associated with arrangements for improving economy, efficiency and effectiveness.



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Document Classification: KPMG Public