

# **INTERNAL AUDIT PROGRESS REPORT**

**SOUTH KESTIVEN DISTRICT COUNCIL**

June 2025

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

## INTERNAL AUDIT

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



## INTERNAL AUDIT METHODOLOGY

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

## 2024/25 INTERNAL AUDIT PLAN

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

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

## 2025/26 INTERNAL AUDIT PLAN

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

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

- ▶ Climate Plan.

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

- ▶ Payroll Access.






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

## REVIEW OF 2025 JUNE 2025/26 WORK

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

# DATA PROTECTION

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

Control Design	 Moderate	Control Effectiveness	 Moderate
Recommendations	 0	 4	 1



### SCOPE

#### BACKGROUND

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

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

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

#### PURPOSE

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

#### AREAS REVIEWED

The following areas were covered as part of this review:

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



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

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



#### AREAS OF STRENGTH

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

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

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

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



## Areas of Concern

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

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



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

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

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

Design Opinion



Substantial

Design Effectiveness



Moderate

Recommendations



### SCOPE

#### BACKGROUND

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

#### PURPOSE

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

provide assurance over its adequacy to meet the Council's target of a 30% reduction in carbon emissions by 2030. The review will provide assurance over the progress the Council have made in implementing its Climate Action Plan.

#### AREAS REVIEWED

The following areas were covered as part of this review:

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

We interviewed the following officers:

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



## AREAS OF STRENGTH

The following areas of good practice were identified:

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

- Ambition to reach net zero by 2041, through identified improvements in energy efficiency across the estate.
  - Investing in low carbon infrastructure such as LED streetlighting and solar Photo Voltaic systems.
- Governance arrangements are well embedded within the Council decisions, as climate priorities are embedded in the Corporate Plan 2024-27 and overseen through Environment Overview and Scrutiny Committee (EOSC) meetings, held bi-monthly. The EOSC reports for period covering December 2024 - March 2025 demonstrates reporting and integration of climate considerations into decision-making processes reflecting a proactive and well-coordinated approach to achieving long-term sustainability targets.





## AREAS OF CONCERN

Finding	Recommendation and Management Response
No improvement identified regarding carbon emission reduction in fleet management from the baseline in the past five years. (Finding 2 - Medium).	<p>A. The Head of Corporate Projects, Performance, and Climate Change should prioritise the implementation of its Green Fleet Strategy by developing a time-bound implementation plan with clearly assigned action owners, deadlines, and measurable success indicators to support delivery and accountability. The Sustainability and Climate Change Manager should improve the action plans by clearly assigning action owners for each task to ensure these follow the SMART strategy.</p> <p><u>Management Response</u></p> <p>The Green Fleet Strategy has been approved by Cabinet and sets out how the Council's fleet will move towards embracing green technology where available and cost effective. The recommendation will be taken forward with the Head of Waste Management in order to prioritise the implementation of a plan in conjunction with the Sustainability and Climate Change Manager with clearly assigned actions. This plan should then be embedded into the work programme of the EOSC to ensure that the progress is monitored.</p> <p><u>Responsible Officer and Implementation date</u></p> <p>Head of Waste Management and Markets</p> <p>30 November 2025</p>
The Council does not currently hold a Climate Action Plan in order to accomplish actions in-line with the Climate Action Strategy. (Finding 3 - Medium).	<p>A. Council to finalise and approve the Climate Action Plan at the earliest opportunity, ensuring it translates each of the eight strategic themes into SMART actions with clear timelines and accountable officers.</p> <p>B. The Sustainability and Climate Change Manager should incorporate a RAG (Red,</p>



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

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

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

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

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

#### Council tax

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

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

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

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

Provisional Local Government Finance Settlement 2025/26: On-the-day factual briefing | Local Government Association

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

#### PLANNING POLICY AND DEVELOPMENT

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

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

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

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

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

- ▶ Reintroduction of Mandatory Housing Targets

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

- ▶ Restoration of Five-Year Housing Land Supply Rules

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

▶ A new Standard Method

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

▶ Localisation of planning fees

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

▶ Funding to support local authorities

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

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

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

**HOUSING, PLANNING AND HOMELESSNESS**

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

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

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

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

FOR INFORMATION: AUDIT COMMITTEE AND THE SENIOR LEADERSHIP TEAM

## LOCAL GOVERNMENT REFORM

### ENGLISH DEVOLUTION WHITE PAPER

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

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

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

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




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

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

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

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





## KEY PERFORMANCE INDICATORS

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






# APPENDIX I

## 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

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

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