

Meeting of the Governance and Audit Committee

Wednesday, 23 July 2025, 2.00 pm



SOUTH
KESTEVEN
DISTRICT
COUNCIL

Committee Members present

Councillor Tim Harrison (Chairman)
Councillor Paul Wood (Vice-Chairman)
Councillor Robert Leadenham
Councillor Bridget Ley
Councillor Rhea Raysia
Councillor Paul Stokes
Councillor Mark Whittington
Councillor Sue Woolley
Alan Bowling

Cabinet Members present

Councillor Ashley Baxter
Councillor Philip Knowles

Other Members present

Councillor Lee Steptoe
Councillor Harrish Bisnauthsing
Councillor Peter Stephens

Officers

Karen Bradford, Chief Executive
Richard Wyles, Deputy Chief Executive and Section 151 Officer
David Scott, Assistant Director of Finance and Deputy Section 151 Officer
Alison Hall-Wright, Director of Housing and Projects (Deputy Monitoring Officer)
Debbie Roberts, Head of Corporate Projects, Policy and Performance
Tracey Elliott, Governance and Risk Officer
Joshua Mann, Democratic Services Officer
Gurpreet Dulay, Internal Auditor

15. Apologies for absence

No apologies for absence were received.

16. Disclosure of interests

No interests were disclosed.

17. Minutes of the meeting held on 18 June 2025

The minutes of the meeting held on 18 June 2025 were proposed, seconded and AGREED as an accurate record.

18. Internal Audit Progress Report

Prior to the commencement of the item, the meeting adjourned for five minutes due to a technical fault.

The Internal Audit Progress Report was presented by the Internal Auditor.

The report before the Governance & Audit Committee was regarding payroll access. Work was underway on the voids management audit report.

The conclusion of the payroll access audit was the Design Opinion was rated as Moderate and the Design Effectiveness was rated as Substantial.

Areas of strength identified by the audit included the following:

- Change Request Forms were completed for all role changes within the Council.
- Payroll control account reconciliations were performed monthly and since April 2025 had been reviewed and approved by management. iTrent was used to provide an audit trail.
- At the time of the review, all leavers selected for sample testing had been removed from the system and were therefore not able to access iTrent. This helped to ensure data security and protection of sensitive information, preventing data breaches from occurring.

Areas of concern identified included the following:

- Changes to employee bank details were not subject to independent review for appropriateness or approval, increasing the risk of fraudulent activity or salary misdirection going undetected.
- User logs were not produced for super users/administrative users to ensure all actions were appropriate. In addition, super users/administrative users were able to access both payroll and HR functions, increasing the risk of fraudulent behaviour.

During discussions, Members commented on the following:

- It was confirmed that there were two superusers over the payroll system and the control accounts were monitored monthly. The IT Team did not have superuser level access.
- The internal auditor confirmed their judgement that there was no need for additional management controls currently as the current risk assessment annual audit plan was still satisfactory.
- Clarification was given that the instance outlined in the report about a payment being made into a third-party account was only done so following the appropriate checks.

The Internal Audit Progress Report was NOTED by the Committee.

19. Contract Procedure Rules Update

The Contract Procedure Rules Update was presented by the Cabinet Member for Corporate Governance & Licensing.

The current contract procedure rules had been in place since May 2022 and the proposed amendments within the reports were updates to reflect changes in accordance with the requirements of the Procedure Act 2023, implemented in February 2025. This subsequently provided an opportunity to review that the overall contract procedure rules remained fit for purpose.

The 2023 Procurement Act sought to simplify the process and introduce two procedures of competitive tendering: the open procedure and the competitive flexible procedure.

The open procedure was a single stage procedure, and all information was submitted by suppliers at the tender stage. This could be used for a known and simple requirement with a small market where there was no need to reduce the number of suppliers that were assessed.

The competitive flexible procedure provided the ability to design your own procurement process. The Council could use this procedure where its requirements were complex, and it would like to have formal engagement with suppliers during a negotiation or dialogue stage. The Council could also assess conditions of participation before inviting a tender submission to reduce the number of suppliers invited to participate.

The report also outlined new measures regarding procurement notices, payment terms, and key performance indicators designed to ensure transparency.

Following the review of procurement activities and analysis of procurement spend, the report proposed to update the procurement thresholds as outlined in the table below:

| Route | Current Value | Proposed Value |
|---------------------|---------------------|--------------------|
| Single Quote | 0 - £10,000 | 0 - £24,999 |
| 3 Quotes | £10,000 - £49,999 | £25,000 - £99,999 |
| Tender/FW Mini comp | £50,000 – and above | £100,000 and above |

Furthermore, the report proposed updating the thresholds of the approval and contract signature levels in line with procurement spend levels:

- Service Manager or equivalent role up to £49,999
- Heads of Service or equivalent £50,000 to £99,999
- Assistant Directors and Directors over £100,000.

During discussions, Members commented on the following:

- It was queried how the Council would prevent contractors splitting quotes in order to fall within particular thresholds. Confirmation was given that any quotes received would need to meet the full specification of works requested by the Council, therefore, contractors would not be able to split quotes in this way. It was also confirmed that any price increased would require the approval of both parties.
- A Member expressed their disagreement with the proposed changes, stating it was in the interests of the taxpayer for more quotes to be obtained. Justification of the proposed changes was given that small, local businesses were being put off meeting the specifications given the necessary timeframes and costs involved when trying to compete with established, national companies.
- Confirmation was given by the Deputy Chief Executive and Section 151 Officer that he was satisfied the changes would increase transparency and abided by the legislation.

Councillor Sue Woolley left the Chamber.

- It was identified that establishing an agreed definition of the 'East Midlands' was a challenge, but a definition was outlined within Section 3.20 of the report. The suggestion was made to determine the East Midlands by an agreed radius but advise was given that it was easier to work with county boundaries.
- Confirmation was given that any contracts worth £200,000 or more were deemed key decisions and therefore followed the constitutional process.

Following discussions, it was proposed, seconded, and AGREED to recommend the Contract Procedure Rules to Full Council for approval.

20. General Fund Provisional Outturn

The General Fund Provisional Outturn Report 2024/25 was introduced by the Leader of the Council.

General Fund Revenue Budget 2024/25

The report detailed the following significant variances from the General fund revenue outturn positions outlined in Table Two: utilities, fuel, fees and charges, property maintenance, and investment income.

General Fund Capital Programme 2024/25

Incorporating any amendments such as the carry forwards from the previous year, the 2024/25 budget increased to £28.61 million. There was a £3.424 million underspend on the General Fund Capital Programme for 2024/25.

General Fund Reserves 2024/25

It was recommended that the provisional revenue underspend of £1.114 million was allocated to the following reserves:

- ICT reserve – increase by £260K to replenish the level of the ICT Reserve to meet future ICT related expenditure.
- Training and Development Reserve – increase by £85K to support ongoing development of staff and members as identified through training development plans.
- Local Priorities Reserve – increase by £769k to support ongoing priority projects.

2024/25 Statement of Accounts Update

The preparation of the 2024/25 Statement of Accounts was underway and the Council already received a positive draft Value for Money opinion, however, the Council was anticipating the end of June deadline for publication of the draft Statement of Accounts would not be met. Nevertheless, it was still anticipated that the statutory deadline of 31st March 2026 would be achieved.

Councillor Rhea Rayside left the Chamber

During discussions, Members commented on the following:

- An amendment was proposed, seconded, and AGREED to add a fourth recommendation to the report, as follows:

'The creation of a Leisure Investment Reserve of £500k to be used to invest in the maintenance and improvements of the 3 leisure centres in Grantham, Stamford and Bourne and the Sports Stadium in Grantham. The proposal is to allocate £500k from the LPR to create this new reserve'.

- It was confirmed that the transfer would occur immediately upon the agreement being reached.
- Clarification was given that the carry over of £244,000 by the Disabled Facilities Grant was due to works that were agreed in the previous financial year but would take place in the following financial year. It was acknowledged that previous supply issues within Occupational Therapy had historically contributed to underspend of the grant.
- It was also confirmed that the report outlined the costs of Code of Conduct complaints dealt with by Legal and Democratic Services for the financial year 2024-25 only.

Following discussions, it was proposed, seconded, and AGREED to:

1. *Review and approve the provisional General Fund Revenue and Capital Outturn position for the financial year 2024/25.*

2. *Review and approve the following reserve movements in respect of the General Fund based on a provisional surplus for 2024/25 financial year end:*
 - *ICT Reserve increase by £260k*
 - *Training and Development Reserve increase by £85k*
 - *Local Priorities Reserve increase by £769k*
3. *Delegate authority to the Deputy Chief Executive and s151 Officer in consultation with the Cabinet Member for Finance, HR & Economic Development to finalise the reserve movements in order to ensure the Working Balance level for the General Fund and the Housing Revenue Account are maintained at prudent levels.*
4. *Agree to the creation of a Leisure Investment Reserve of £500k to be used to invest in the maintenance and improvements of the 3 leisure centres in Grantham, Stamford and Bourne and the Sports Stadium in Grantham. The proposal is to allocate £500k from the LPR to create this new reserve.*

21. Housing Revenue Account Provisional Outturn Report 2024/25

The Housing Revenue Account (HRA) Provisional Outturn Report 2024/25 was introduced by the Leader of the Council.

The report outlined the following HRA budget priorities throughout the year:

- Meeting the housing needs of tenants
- Facilitating the delivery of new housing across a range of tenures
- Enabling those whose independence may be at risk to access housing (including their current home) that meets their needs
- Supporting investment in homes for affordable warmth for our tenants
- Meeting compliance requirements and ensuring resources are allocated appropriately.

HRA Revenue Budget 2024/25

For the purposes of the outturn variance analysis the budget carry forwards were removed and the actual surplus for the year was £5.674m, resulting in an overspend of £1.314m as part of the continued investment in addressing the backlog of repairs and ensuring statutory compliance.

Additionally, there was also an increased focus to decrease void turnaround times which contributed towards this overspend but this led to increased rent receipts of £458k and reduced void times from 136 days to 79 days. This overspend reduced the overall budgeted surplus for the HRA hence the proposal for the overspend to be funded from the Priorities Reserve in order to protect the Major Repairs Reserve.

HRA Capital Programme 2024/25

For the purposes of the outturn variance analysis, the proposed budget carry forwards of £842k were removed from the report which reduces the budget for comparative purposes to £24.365m.

HRA Reserves 2024/25

HRA Priorities Reserve movements included:

- £1.3m was used from this reserve to fund capital programme projects including new build feasibility work and match funding the LAHF grant to enable the purchase of 8 houses.
- A new HRA Climate Reserve was established in 2023/24 and the report proposed to increase the balance to £500k as at 31 March 2025 which would be transferred from the HRA Priorities Reserve.
- The report also proposed a further £1m be transferred to a new reactive Repairs Reserve. This reserve would be used to fund reactive and urgent works that were not able to be met from the approved revenue budget.
- A contribution of £2m was proposed from this reserve to fund the revenue overspend to ensure the balance on the Major Repairs Reserve remains at a level to support the HRA business plan and associated compliance works.

During discussions, Members commented on the following:

- Members praised the investment in social housing and suggested that any surplus could be used to purchase further property. The Assistant Director of Finance clarified there was a 30 year business plan that underpinned the HRA and outlined the budgets required to support maintenance and improvement in the Council's housing stock. Periodically, there would be a budgeted surplus in order to create reserve balances to then meet future investment.
- It was clarified that the Larch Close development had experienced a delay due to drainage survey findings.
- Members praised the reduction in void times but noted that the bad debt provision had risen. The Deputy Chief Executive and Section 151 Officer acknowledged that this was the result of challenges with the collection of former tenant arrears.
- Clarification was given that tenants had been charged the correct level of charges for services and facilities, however, an incorrect level had been transferred onto the new housing system, distorting the budget. This had since been corrected.
- Members were assured that all repair programs were effectively delivered as planned in 2024/25 and the underspend of the repairs vehicle budget was because the existing fleet was still adequate.
- Confirmation was given that the full grant had been received for the Decarbonisation Scheme and all subsequent commitments had been paid for. The overspend was the result of an invoicing error which had been corrected within the year-end process to ensure this was fully accounted for.

Following discussions, it was proposed, seconded, and AGREED to:

1 – Approve the provisional HRA Revenue and Capital Outturn position for the financial year 2024/25.

2 – Approve the following revenue reserve movements in respect of the Housing Revenue Account:

- Transfer £400k from the HRA Priorities Reserve to the HRA Climate Change Reserve.
- Transfer £1m from the HRA Priorities Reserve to create a HRA Reactive Repairs Reserve.
- Transfer £2m from the HRA Priorities Reserve to the Major Repairs Reserve.

3 - Delegate authority to the Deputy Chief Executive and s151 Officer, in consultation with the Cabinet Member for Finance, HR & Economic Development, to finalise the reserve movements in order to ensure the Working Balance level for the Housing Revenue Account are maintained at prudent levels.

22. Draft Annual Governance Statement 2024/25

Councillor Rhea Rayside returned to the Chamber.

The Draft Annual Governance Statement 2024/25 was introduced by the Cabinet Member for Corporate Governance and Licensing.

The Draft Annual Governance Statement consisted of:

- Foreword from the Leader of the Council and the Chief Executive
- Key elements of the Council's Governance Framework 2024/25
- How the Council has complied with the CIPFA/SOLACE Delivering Good Governance in Local Government: Framework
 - Governance Framework for 2024/25
 - Review of Effectiveness
 - Assurance Statement Review
 - Governance key area of focus for 2025/26

The 'Governance key area of focus for 2025/26' was the delivery of:

- Recruitment of a new Director of Law & Governance.
- Appointment of an interim Data Protection Officer.
- Onboarding of new Director of Law & Governance, Data Protection Officer, and Deputy Monitoring Officer.
- Ensure Freedom of Information and Subject Access Request processes are reviewed and established.
- Review Local Government Reorganisation governance challenges.
- Review of the Constitution to ensure Member Code of Conduct is up to date and relevant.
- Review of the Officer Code of Conduct.
- New governance structure to be developed for LeisureSK Ltd based on the agency principles.

During discussions, Members commented on the following:

- It was suggested for the provision of the co-opted Member positions to be included in the report.
- It was confirmed that the Strategic Risk Register presented in September would incorporate the steps taken to adapt the Governance Framework in view of local government reorganisation (LGR).
- Clarification was given that the Officer Code of Conduct Update was paused until the director vacancy was filled.

The Draft Annual Governance Statement 2024/25 was NOTED by the Committee.

23. Treasury Management Annual Report 2024/25

The Treasury Management Annual Report 2024/25 was introduced by the Leader of the Council.

As of 31 March 2025, the Council held short and long-term investments of £62.767m and was compliant with the Council's policy to hold not more than 35% of investments as long-term. This included a £3m in the CCLA (Church, Charities, and Local Authorities) Local Authority Property Fund.

During 2024/25 the Council continued to place emphasis on ESG (Environmental, Social and Governance) investments. It was the aim to maintain at least 10% of the portfolio of this type of investment where possible which had been achieved over the last financial year.

Borrowing became increasingly expensive in 2024/25 - Gilt yields rose significantly after the Chancellor's Autumn Statement, and the loosening of fiscal policy.

The Council's treasury management functions operated effectively during 2024/25 and achieved the following:

- Repayment of principal was secured in all deposits.
- The Council's cash liquidity requirement was met throughout the financial year.
- Investment income levels have exceeded the amended budget as investment levels were higher than originally estimated.
- The Council achieved investment returns greater than the benchmark average.
- Robust management of the Council's debt position.
- Prudential indicators set for 2024/25 were achieved.

During discussions, Members commented on the following:

- It was queried why there was significant funds that had been invested on a short term basis rather than a long term basis. This was because some funds were only available on a short term basis and therefore could not be locked away over a longer term.
- A visiting Member requested clarity about the outcome of the Fair Tax Motion passed at the 23 November 2023 Full Council. It was clarified that an update on this had been given at the 18 June 2025 meeting of the Governance & Audit Committee. The Chairman agreed to email the minutes of this meeting to the visiting Member. It was AGREED for updates on the Council's Fair Tax Motion to be provided annually.

ACTION

- A question was raised about ESG investments, the Deputy Chief Executive and Section 151 Officer clarified that that the ethical, social and governance area of the Treasury Strategy was approved by Members each year and subsequent investments were made on this basis.
- It was confirmed that the findings of the Treasury Management Annual Report 2024/25 were all compliant with the CIPFA Code of Practice on Treasury Management.
- A Member suggested investing in Government bonds as a safeguard.

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

24. Treasury Management Report Quarter 1 2025/26

The Treasury Management Report Quarter 1 2025/26 was introduced by the Leader of the Council.

No additional borrowing was required during the first quarter of 2025/26. All current Council borrowing was with the Public Works Loan Board (PWLB) and the average rate of interest paid on the debt portfolio was 2.50%.

Short-term borrowing was defined as borrowing due to be repaid within 365 days. As of 30 June 2025, the Council had short-term borrowing of £3.221m.

The average size of the investment portfolio for the 3-month period of Q1 was £66.479m compared to an average portfolio size of £80.901m during the same period in 2024/25. The reduction in the portfolio was largely due to holding capital grant funds at Q1 in 2024/25 which was used to fund the capital programme during the 2024/25 financial year. In addition to this general capital expenditure over the past 12 months had been funded from reserves as opposed to expensive external borrowing.

As of 30 June 2025, the Council held short term investments of £55.483m (specified investments) and £3m (non-specified investments). The Treasury Management Strategy stipulated that the Council should not ordinarily

hold more than 35% of investments as non-specified; this policy was adhered to during Q1 of 2025/26.

During discussions, Members commented on the following:

- It was queried whether officers anticipated any borrowing in quarter two. Officers confirmed that the current strategy was to borrow internally from other funding pools if borrowing was required.

The Treasury Management Report Quarter 1 2025/26 was NOTED by the Committee.

25. Fraud Prevention and Whistleblowing Annual Report 2024/25

The Fraud Prevention and Whistleblowing Annual Report 2024/25 was introduced by the Cabinet Member for Corporate Governance and Licensing.

Within the definition of whistleblowing, no issues were raised during 2024/25.

Regarding fraud, the Council received 24 external requests that required investigation during 2024/25, which was an increase on previous years where there were 14 in 2023/24 and 20 in 2022/23. The increase was in respect of allegations that Benefits and/or Single Person Discount were being claimed fraudulently. All disclosures were made by an external third party, or were anonymous, and as such the legal protection afforded to employees who raised concerns did not extend to these individuals.

Following investigations, of the 24 requests, only 4 were founded.

Where an investigation established that misconduct or wrongdoing had taken place, appropriate action was taken including, where appropriate, the use of the Council's formal disciplinary procedure and/or referring matters to third party organisations including the Police.

During discussions, Members commented on the following:

- It was noted that there were no whistleblowing instances from SKDC officers, so it was queried whether officers felt confident enough to come forward. It was highlighted that there was the mechanism of the anonymous staff survey that all officers were encouraged to undertake, ensuring staff confidence of a confidential process.
- Across the instances of alleged fraud reports, there were no trends identified.
- The suggestion was made to signpost external bodies to the Fraud Prevention and Whistleblowing policies on the Council's website to raise awareness of the reporting process. **ACTION**

The Fraud Prevention and Whistleblowing Annual Report 2024/25 was NOTED by the Committee.

26. Work Programme 2025 - 2026

The Work Programme 2025-26 was NOTED by the Committee.

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

There was no other business.

The Chairman concluded the meeting at 16.10.