



Auditor's Annual Report for Lincolnshire County Council

Year-ended 31 March 2024

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January 2025

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Key Contacts

Rashpal Khangura

Director

Rashpal.Khangura@kpmg.co.uk

Sofie Kockelbergh

Senior Manager

Sofie.Kockelbergh@kpmg.co.uk

Francesca Shaw

Assistant Manager

Francesca.Shaw@kpmg.co.uk

This report is addressed to Lincolnshire County 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

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 Lincolnshire County 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').



We assess whether the Narrative Report 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 20 January. 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 pages We have also issued an unqualified opinion on the Lincolnshire Pension Fund accounts on 20 January 2024.
Narrative report	We did not identify any significant inconsistencies between the content of the narrative report 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.
Other powers	See overleaf.

Executive Summary



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.

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

In addition to these powers, we can make performance improvement observations to make helpful suggestions to the Council. Where we raise observations we report these to management and the Audit Committee. The Council is not required to take any action to these, however it is good practice to do so and we have included any responses that the Council has given us.

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Audit of the financial statements

Audit of the financial statements



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

- Give a true and fair view of the financial position of the Council as at 31 March 2024 and of 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 issued an unqualified opinion on the Council financial statements.

The full audit report will be included in the Council's Annual Report and 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



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
<p>Valuation of Land and buildings</p> <p>The Code requires that where assets are subject to revaluation, their year end carrying value should reflect the appropriate current value at that date.</p> <p>The Authority has adopted a rolling revaluation model which sees all land and buildings revalued over a five year cycle.</p> <p>This creates a risk that the carrying value of assets not revalued in year differs materially from the year end current value.</p> <p>A further risk is presented for those assets that are revalued in the year, which involves significant judgement and estimation on behalf of the Council's valuer, Kier.</p>	<p>We performed the following procedures designed to specifically address the significant risk associated with the valuation:</p> <ul style="list-style-type: none"> We have critically assessed the independence, objectivity and expertise of Kier Services, the valuers used in developing the valuation of the Council's properties at 31 March 2024; We have inspected the instructions issued to the valuers for the valuation of land and buildings to verify they were appropriate to produce a valuation consistent with the requirements of the CIPFA Code. We have compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information; We have evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; We have challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We have challenge key assumptions within the valuation as part of our judgement; We have agreed the calculations performed of the movements in value of land and buildings and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; and Disclosures: We have considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. 	<p>We identified no material misstatements</p> <p>We considered the estimate to be balanced.</p>

Audit of the financial statements



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
<p>Valuation of Investment property</p> <p>The Code defines an investment property as one that is used solely to earn rentals or for capital appreciation or both.</p> <p>Property that is used to facilitate the delivery of services or production of goods as well as to earn rentals or for capital appreciation does not meet the definition of an investment property. As at 31 March 2023, the Council had investment properties with a total value of £115m.</p> <p>There is a risk that investment properties are not being held at fair value, as is required by the Code. At each reporting period, the valuation of the investment property must reflect market conditions. Significant judgement is required to assess fair value and management experts are often engaged to undertake the valuations.</p>	<p>We performed the following procedures designed to specifically address the significant risk associated with the valuation:</p> <ul style="list-style-type: none"> We have critically assessed the independence, objectivity and expertise of Savills, the valuers used in developing the valuation of the Council's investment property at 31 March 2024; We inspected the instructions issued to the valuers to verify they are appropriate to produce a valuation consistent with the requirements of the CIPFA Code. We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information; We evaluated the design and implementation of controls in place for management to review the valuation and the appropriateness of assumptions used; We challenged the appropriateness of the valuation; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement; We agreed the calculations performed of the movements and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; We reviewed the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised; and Disclosures: We considered the adequacy of the disclosures concerning the key judgements and degree of estimation involved in arriving at the valuation. 	<p>We identified no material misstatements</p> <p>We considered the estimate to be balanced.</p>

Audit of the financial statements



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
<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>The effect of these matters is that, as part of our risk assessment, we determined that post retirement benefits obligation has a high degree of estimation uncertainty. The financial statements disclose the assumptions used by the Council in completing the year end valuation of the pension deficit and the year on year movements.</p> <p>We have identified this in relation to the following pension scheme memberships: Local Government Pension Scheme</p> <p>Also, recent changes to market conditions have meant that more councils are finding themselves moving into surplus in their Local Government Pension Scheme (or surpluses have grown and have become material). The requirements of the accounting standards on recognition of these surplus are complicated and requires actuarial involvement.</p>	<p>We performed the following procedures designed to specifically address the significant risk associated with the valuation:</p> <ul style="list-style-type: none"> • Understood the processes the Councils have in place to set the assumptions used in the valuation; • Evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations; • 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; • Agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation; • 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; • 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; • Confirmed that the accounting treatment and entries applied by the Council were in line with IFRS and the CIPFA Code of Practice; • Considered the adequacy of the Council's disclosures in respect of the sensitivity of the deficit or surplus to these assumptions. 	<p>We identified no material misstatements</p> <p>We considered the estimate to be balanced.</p>

Audit of the financial statements



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
<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>As part of our planning risk assessment procedures we identified that the Council does not have enforced segregation of duty controls over the posting of journals, we therefore did not seek to take a controls based approach when designing procedures to provide assurance over this risk.</p>	<p>Our audit methodology incorporates the risk of management override as a default significant risk.</p> <ul style="list-style-type: none"> Assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates, even if individually reasonable, indicated a possible bias. Evaluated the selection and application of accounting policies. In line with our methodology, evaluated the design and implementation of controls over journal entries and post closing adjustments. Assessed the appropriateness of changes compared to the prior year to the methods and underlying assumptions used to prepare accounting estimates. Assessed the business rationale and the appropriateness of the accounting for significant transactions that were outside the Council's normal course of business, or are otherwise unusual. Searched for fraudulent journal entries using KPMG Automated Audit Procedures. We analysed all journals through the year using data and analytics and focussed our testing on those with a higher risk. 	<p>Our testing did not identify any indicators of management override of controls.</p> <p>We identified that management does not have system enforced segregation of duties. We raised one control deficiency in respect of this.</p>

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Value for Money

Value for Money



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.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	14	18	22
Identified risks of significant weakness?	x No	x No	x No
Actual significant weakness identified?	x No	x No	x No
2022-23 Findings	No significant weakness identified	No significant weakness identified	No significant weakness identified
Direction of travel	↔	↔	↔

Value for Money

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. 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.

Education

Many schools are now the responsibility of academy trusts, however some schools are still controlled and overseen by the local Council. Dedicated funding is provided by central government to run schools, however due to cost pressures many Councils have overspent against their central government allocation, particularly in relation to “high needs” expenditure (i.e. to support students with special educational needs and disability (SEND)). In response to this, the Department for Education has created the “safety valve” arrangement, where Councils are given additional funding whilst education costs are brought under control, with an expectation that schools reserves are brought back to break-even over time. When the safety valve arrangements end, some Councils are concerned that structural sustainability issues will not be resolved, and Councils will be financially unviable.

Infrastructure assets

Councils make use of their infrastructure assets data to support decisions in relation to roads, parks, and pavements they are responsible for. Some Councils have experienced issues with the quality of their records for infrastructure. From a financial reporting perspective, temporary arrangements have been put in place to ensure financial statements can be prepared whilst infrastructure records are improved. However, if records are not up to date, Councils will struggle to identify assets they are responsible for and when assets are life-expired and require replacement. That may result in a worsening quality of infrastructure that everyone depends on.

Local context

The Council published unaudited financial statements on their website on 14 June 2024, after the statutory deadline of 31 May. The Council appropriately published a notice to their website, confirming the delay in the publication of the accounts.

The Council reported a £62.6m surplus on provision of services in the Council's total comprehensive income and expenditure for the year ended 31 March 2024. In the General Fund, the Council delivered a £16.4m surplus.

The most significant pressure felt by the Council in 2023/24 related to Home to Schools Transport spend. This services saw an overspend of £3.6m in 2023/24.

The Council's usable reserves have fallen by £5.6m (1.7%), however the Council has maintained its general fund at £16.4m, whilst also maintaining a financial volatility earmarked reserve of £46.9m to deal with future uncertainties around local government funding.

External inspections

The Council received positive inspection outcomes on the quality of the services. The Council received a 'good' CQC rating in respect of it's social care related services in year. Additionally, the Council received an 'Outstanding' OFSTED rating in respect of its Children's services in year.

We note that in year the authority received a report from the HM Inspectorate of Constabulary and Fire and Rescue Services, this report identified 4 areas for improvement



Financial Sustainability



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:

- The processes for setting the 2023/24 financial plan to ensure that it is achievable and based on realistic assumptions;
- How the 2023/24 efficiency plan was developed and monitoring of delivery against the requirements;
- Processes for ensuring consistency between the financial plan set for 2023/24 and the workforce and operational plans;
- The process for assessing risks to financial sustainability;
- Processes in place for managing identified financial sustainability risks; and;
- Performance for the year to date against the financial plan.

Budget setting

The Council's budget setting process is underpinned by the Financial Planning and Management principles included within the Council's Financial Procedures. For the 2023/24, the Council began the budget setting process far in advance of the financial year beginning.

Executive Directors were responsible for setting budgets for the Service Lines they lead, with budgets adjusted for any known pressures within Directorate and any efficiencies required. Directorates ensured their budgets were realistic and achievable by identifying cost pressures from a number of sources including, but not limited to, policy changes, economic indicators, contracting data and in year budget monitoring.

For 2023/24, Directorates were not asked to specifically identify efficiency schemes, although overarching saving of £1m across the Council were built into their budgets. Service finance teams supported the budget setting process, however the Council took a risk based approach when budget setting which meant that those Directorates deemed higher risk received additional support.

Directorates were required to present their Service Line budgets to the appropriate Scrutiny Committee. The budget document presented included commentary regarding cost pressures, any changes to the provision of service and the associated costs. This commentary ensured the appropriate level of scrutiny and challenge was applied to the Service Line budgets.

The Service Line budgets formed to make the overarching Council budget as well as other budgets such as the capital finance charges, school budgets and contingencies. We note the 2023/24 budget included a contingency of £15.9m, this was an increase from £10.2m from 2022/23.

Financial Sustainability

Ahead of the approval of the final Council budget, in January 2023 the Council undertook a budget consultation process. This meeting provided the opportunity for partners and other organisations to provide commentary on the Council's proposed budget. Review of the January 2023 Council meeting confirmed that the appropriate information was provided those in attendance to facilitate appropriate scrutiny. The final 2023/24 budget, contained within the 'Budget Book', was approved by the Council on 17 February 2023.

The Council published its Corporate Plan in 2023, this details the Council's strategic ambitions and mission. It included the requirements for success in the provision of good value council services, including aims around workforce, operational plans and included detail to support capital and estates. The aims were consistent with those included in the Council's Medium Term Financial Strategy and 2023/24 budget, both contained within the 'Budget Book'.

Budget monitoring

The Council operated a one month budget monitoring cycle. On a monthly basis the Corporate Leadership Team (CLT) received a monthly monitoring report with an Executive Revenue Budget Monitoring report produced quarterly. This is presented to both the CLT and the Overview and Scrutiny Management Board. The report provided an update on revenue spend against budget throughout 2023/24 and included an executive summary detailing the key under/overspend year to date to enable informed decision making. The report also detailed financial performance at a Directorate level, including commentary of any under of overspends at Directorate level to allow scrutiny over particular Service Line budgets.

Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit)	£1.2m	(£2.3m)
Actual surplus/(deficit), excluding school budgets	£62.6m	£16.4m
School budget surplus	£16.3m	£16.2m
Usable reserves	£914.0m	£790.4m
Year-end borrowings	£462.1m	£472.6m
Year-end cash position	£93.2m	£99.2m



Financial Sustainability



The Council had numerous risks relating to financial sustainability and performance within its Strategic Risk Register. These included "Budgets Lincolnshire County Council - funding and maintaining financial resilience"; 'Outstanding Debt - securing efficient and effective end-to-end processes for the recovery of income due to the Council; and 'Inflation - Continued high inflation undermines capital programme impacting aspirations and threatens the sustainability of revenue budgets. These risks were presented to the Audit Committee on a quarterly basis via the Risk Management Progress Report. Our review of the Risk Register confirmed that sufficient information was included to enable informed decision making. We have provided commentary on the Council's risk management processes at page 18.

Budget outturn

The total budget requirement included in the 2023/24 budget was £604.3m (excluding School budgets), however through successful budget management, the Council reported underspends of £11.3m on Council budgets and £14.3m on School budgets. We note that this was in addition to investment of £12.8m of forecast underspend into additional capital investment in Place Directorate infrastructure earlier in the financial year.

The 2024/25 Budget book was approved by the Council on 23 February 2024. The total budget requirement included in the 2024/25 budget was £646.3m (excluding School budgets), this included a contingency of £6m and associated additional income/savings of £26.3m.

Medium Term Financial Plan (MTFP) and Reserves

We note the Council's MTFP shows some use of reserves to 2027 and we also recognise the Council has reduced reserves in both 2022/23 and 2023/24 (although both were planned use of reserves). However, we also recognise the Council maintain significant reserve balances including a financial volatility reserve of £46.9m and general fund balances of £16.4m. Therefore, whilst increases in financial pressure will impact on financial sustainability, we are satisfied with the Council's arrangements to maintain financial sustainability.

Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with financial sustainability

Governance



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

We have considered the following in our work:

- **Processes for the identification, monitoring and management of risk;**
- **The review and approval of the 2023/24 financial plan by the Authority, including how financial risks were communicated;**
- **Processes for monitoring performance against budgets and taking actions in response to adverse variances;**
- **Controls in place to prevent and detect fraud;**
- **How compliance with laws and regulations is monitored;**
- **Processes in place to monitor officer compliance with expected standards of behaviour, including recording of interests, gifts and hospitality; and**
- **How the Authority ensures decisions receive appropriate scrutiny.**

Risk management

The Council assessed and managed risks through its Risk Management Strategy and associated procedures during the financial period. Strategic risks are those which may threaten the achievement of the Council's strategic priorities.

The Council created a culture in which employees are responsible for identifying, assessing, measuring, monitoring and reporting and escalating significant risks associated with their functions or activities which feed into directorate and strategic risks. The Head of Service is then responsible for operational risks where they see a risk to their service and these are then added to the Council's risk management software, Sharpcloud.

Once risks had been challenged and the appropriate mitigations developed, these were added to the service line risk register. These risk registers followed the same format as the Strategic risk register.

On a bi-annual basis, the Council presented a 'Horizon Scanning, Trend, Risks and Issues' document to the Audit Committee. This report was designed to raise awareness of emerging trends, risks and opportunities facing local authorities across the country and ensure members of the Council's committees are aware of pressures and themes impacting upon other public bodies and local authorities which may impact the Council currently or in the future.

Risk scores (both current and target) were calculated by multiplying the potential impact by the potential likelihood of the risk. The Council used a 4 x 4 matrix scoring system, which produced a range of scores from 1 to 16.

Governance



As part of the facilitation process the Corporate team provided challenge to risk owners on all aspects of the risk. Risks were discussed at Directorate level, Corporate Risk and Safety Steering Group and Corporate Leadership level for strategic risks. All discussions provided an opportunity for the identified risks to be challenged. Service line risk registers were reviewed by the risk team twice a year and directorate risk registers were reviewed by the risk team 4 times a year. Additionally, there was a quality assurance process which is undertaken by the risk management team, this process ensured service risk registers are reviewed.

The Council utilised a wheel of control approach to align controls into key areas and applies a measured and unmeasured reference to help support demonstrating the effectiveness of controls. It is the risk owners who identify controls to mitigate/manage the risks, all controls will fit into the 4 categories of risk controls. We note that included in the risk register, against each risk, the Council describes the controls used to mitigate each strategic and operational risk.

The Strategic risk register is reported to the Audit Committee via the Risk Management update report twice a year. The risk report provides the following information against each risk to enable informed decision making: Current impact; Current likelihood; Current risk score; Target impact; Target risk score; Assurance status; Direction of travel; and controls to mitigate the risk.

Budget monitoring

The final 2023/24 budget, contained within the 'Budget Book', was approved by the Council on 17 February 2023. We have provided further commentary on the Council's budget setting process at page 15.

The Council operated a one month budget monitoring cycle. On a monthly basis the Corporate Leadership Team (CLT) received a monthly monitoring report with an Executive Revenue Budget Monitoring report produced quarterly. This was presented to both the CLT and the Overview and Scrutiny Management Board. The report provided an update on revenue spend against budget throughout 2023/24 and included an executive summary detailing the key under/overspend year to date to enable informed decision making. The report also detailed financial performance at a Directorate level, including commentary of any under of overspends at Directorate level to allow scrutiny over particular Service Line budgets. We noted that there were no significant adverse variances in 2023/24.

Counter fraud

The Council's counter fraud and anti-corruption arrangements are underpinned by the Anti Money Laundering Policy and the Counter Fraud and Anti-corruption Policy, additionally, the roles and responsibilities of Council employees and Committees regarding fraud are included within the Council's Constitution.

Governance



The Anti Money Laundering and the Counter Fraud and Anti-corruption policies were supported by the annual Counter Fraud Plan. In 2023/24 this was presented and approved by the Audit Committee in July 2023, this included the planned activity of the Counter Fraud function in preventing and detecting fraud within the Council. In March 2024 the Head of Audit and Counter Fraud manager presented the Counter Fraud Annual Report, this detailed the activity undertaken by the function and the conclusions drawn on the fraud activity at the Council. Our review of this report did not identify any material frauds.

Our review of the Audit Committee minutes identified that a Counter Fraud Progress Report was not shared with the Committee throughout 2023/24. We believe it would be beneficial to provide a formal update to the Committee via a progress report so members have full oversight of the counter fraud and anti-corruption arrangements/outcomes throughout the year as opposed to just at the year end. We raised a low priority recommendation as part of our final audit reporting.

Compliance with laws and regulations and standards and behaviour

Compliance with laws and regulations and the monitoring of this is one of the functions of the Council and is included within the Council's Constitution, approved by the Council in September 2023. Additionally, included within the Constitution is the role of the Monitoring Officer. The Monitoring Officer's role is to report to the full Council or to the Executive in relation to an Executive function if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. No such reports were made in 2023/24.

The Council's Code of Conduct documented the responsibilities of Council employees and processes regarding conflicts of interest, gifts and hospitality. In addition to this, the Council's processes in place to monitor officer compliance are included within a separate disciplinary policy for statutory officers which works in conjunction with the Council's Code of Conduct. This document ensured officers, including the Monitoring Officer, are held to account.

Decision making processes

The Council's decision making processes are derived from the Council's Financial Regulations, included within the Council's Constitution. The Financial regulations provide a framework for managing the financial affairs of the council to support effective decision making. The regulations include the section 'Financial regulations: Roles in financial management, this identified the roles and the financial responsibilities of the full Council, Executive and Overview and Scrutiny Councillors, the Head of Paid Service (Chief Executive), the Monitoring Officer, the Section 151 Officer, other Chief Officers and other Officers. This included financial and non-financial decisions and ensured there was appropriate escalation within the decision making process and was supported by the Council's Scheme of Delegation.

Governance



If there is a decision which is deemed to be a 'key decision', it would go through pre-decision scrutiny and the relevant scrutiny committees. Key decision are those deemed to have a value of £500k or more at the Council. To support the decision making process, a proforma decision making form is used for all decisions. A review of this form confirmed that it contained sufficient information to enable informed decision making, including a financial and legal assessment.

Our review of a decision made within 2023/24 confirmed that the decision template had been completed appropriately and an Equality Impact Assessment of the decision was completed. The decision had been reviewed by the Overview and Scrutiny Management Board prior to being approved by the Council.

We note that the Council maintain a register of decisions, which is held on the Council website for public review.

Publication of the 2023/24 Annual Report and Accounts

The Council published unaudited financial statements on their website on 14 June 2024, after the statutory deadline of 31 May. The Council appropriately published a notice to their website, confirming the delay in the publication of the accounts. We considered the reasons for the delay and these are not considered to be a significant issue due to the nature of issue and length of delay (14 days).

Conclusion

Based on the procedures performed we have not identified a significant risk or weakness associated with governance

	2023-24	2022-23
Control deficiencies reported in the Annual Governance Statement	None	None
Head of Internal Audit Opinion	Adequate	Adequate
Ofsted rating	Outstanding	N/A
HM Inspectorate of Constabulary and Fire and Rescue Services rating	4 areas for improvement	N/A
Local Government Ombudsman findings	None	None
Care Quality Commission rating	Good	None

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

We have considered the following in our work:

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

Corporate plan and performance reporting

The Council, in 2023/24, refreshed Corporate Plan. This is underpinned by the Council's key priorities for local residents and communities going forward. The Corporate Plan includes a strategic aim to 'Provide good value Council services'.

The performance of the Council's Corporate Plan is reported quarterly to the Executive via the Corporate Plan Success Framework report. The Corporate plan includes Key Performance Indicators (KPIs) to measure the Council's performance against the plan.

The performance report included a significant amount of information including performance of the individual services as well as a RAG rated table of activities which aligned to the Council's strategic aims. To ensure the report is accessible to all, the report includes an easily digestible executive summary which highlights which KPIs the Council are exceeding, achieving and not achieving.

The Corporate Plan Success Framework report was supported by Service area performance reporting which is reported to the Service Line Scrutiny Committees. Our review did not identify any significant poor performance at Service Line or Corporate Level.

Other activities

The Council has been through a process of bringing services back in house over the last few years. Most notably the Serco contract, which was previously outsourced for 24 years, was insourced for the year ended 31 March 2024. Under the previous contract agreement, Serco provided IT service delivery, People management (Payroll and HR admin) services, Finance support services and the Council's Customer Service Centre.

Improving economy, efficiency and effectiveness



Upon the decision to end the Serco contract with Council initiated Corporate Support Services Review Project which had been established as part of the Council's Transformation Programme to support informed decision making around the future delivery of services in the current Corporate Support Services Contract with Serco. Progress against this project was reported to the Overview and Scrutiny Management Board.

We noted that no new significant outsourcing arrangements were initiated in 2023/24.

Conclusion

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



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