



Auditor's Annual Report for West Lindsey District Council

Year-ended 31 March 2025

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17 November 2025

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Our audit report will be made solely to the members of West Lindsey District Council (the 'Council'), as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work has been undertaken so that we might state to the members of the Council, as a body, those matters we are required to state to them in an auditor's report and for no other purpose.

To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Council and the members of the Council, as a body, for our audit work, for our auditor's report, for this Auditor's Annual Report, or for the opinions we have formed.

External auditors do not act as a substitute for the Council'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.

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 2024-25 audit of West Lindsey District Council (the 'Council'). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office (the 'Code of Audit Practice') 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 (the Act). Our responsibilities under the Act, the Code of Audit Practice and International Standards on Auditing (UK) ('ISAs (UK)') include the following:



Financial Statements - To provide an opinion as to whether the financial statements give a true and fair view of the financial position of the Council and of its income and expenditure during the year and have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting 2024/25 ('the CIPFA Code').



Other information (such as the narrative report) - To consider, whether based on our audit work, the other information in the Statement of Accounts is materially misstated or inconsistent with the financial statements or our audit knowledge of the Council.



Value for money - To report if we have identified any significant weaknesses in the arrangements that have been made by the Council to secure economy, efficiency and effectiveness in its use of resources. We are also required to provide a summary of our findings in the commentary in this report.



Other powers - We may exercise other powers we have under the 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 any valid objections received from electors.

Findings

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

Financial statements	We issued an unmodified opinion on the Council's financial statements on [Date]. This means that we believe the financial statements 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 8-11.
Other information	We did not identify any material inconsistencies between the content of the other information, the financial statements and our knowledge of the Council.
Value for money	We identified no significant weaknesses in respect of the arrangements the Council has put in place to secure economy, efficiency, and effectiveness in the use of its resources. Further details are set out on page 13.
Whole of Government Accounts	We are required to perform procedures and report to the National Audit Office in respect of the Council's consolidation return to HM Treasury in order to prepare the Whole of Government Accounts. As the National Audit Office has not yet concluded its audit of the Whole of Government Accounts for the 31 March 2025 financial year, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf.

Executive Summary



There are several actions we can take as part of our wider powers under the 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.

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 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 Act.

We have not raised any other recommendations.

Advisory notice

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

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

We have not issued an advisory notice this year.

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 Governance and 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.

02

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 2025 and of its 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 2024/25.

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

Our audit opinion on the financial statements

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

The full audit report is included in the Council's Annual Report and Accounts for 2024/25 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: West Lindsey District Council



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

Valuation of land and buildings

The council adopts a revaluation policy in relation to freehold and long leasehold land and buildings, with a full valuation occurring as at 31st March each financial year. Valuations are inherently judgemental and there is a risk of error that the assumptions are not appropriate or correctly applied.

Our procedures

- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design of controls in place for management to review the valuation and the appropriateness of assumptions used;
- We challenged the appropriateness of the valuation of land and buildings; including any material movements from the previous revaluations. We challenged key assumptions within the valuation as part of our judgement;
- We agreed the calculations performed of the movements in value and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- We reviewed the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised.

Our findings

- We assessed the valuation of land and building estimate as overall balanced and judgements applied as neutral.
- We identified one unadjusted audit misstatement were three properties, which have a combined book value of c.£0.8m, were incorrectly classified as non-specialised land/buildings under Existing Use Value (EUV) instead of investment properties under Fair Value (FV). We have assessed that the impact of reclassification would not have a material impact on the value of the properties due to the similar valuation assumptions that would be used to prepare the valuations.
- We recommended improvements to floor area plan maintenance process; however, this issue has not been assessed as material.
- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of land and buildings is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. Management have confirmed that they are comfortable with the current arrangements of employing an external expert to provide their valuations, and rely on their professionalism and skills to provide an accurate valuation.

Audit of the financial statements: West Lindsey District Council



Valuation of investment property

The council engages an external valuer to perform a valuation of investment property. There is a risk that these valuations are not reflective of the fair value of the property.

Our procedures

- We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information;
- We evaluated the design 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 in value and verified that these have been accurately accounted for in line with the requirements of the CIPFA Code; and
- We reviewed the valuation report prepared by the Council's valuers to confirm the appropriateness of the methodology utilised.

Our findings

- We assessed the valuation of investment property estimate as overall balanced and judgements applied as neutral.
- We did not identify any material misstatement relating to this risk.
- We recommended improvements to floor area plan maintenance process; however issue has not been assessed as material.
- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of investment properties is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. Management have confirmed that they are comfortable with the current arrangements of employing an external expert to provide their valuations, and rely on their professionalism and skills to provide an accurate valuation.

Audit of the financial statements: West Lindsey District Council



Valuation of post retirement benefit obligations

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.

Our procedures

- We evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations;
- We 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;
- We agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation;
- We 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;
- We 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;
- We confirmed that the accounting treatment and entries applied by the Council are 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;
- We assessed the level of surplus that should be recognised by the Council; and
- We assessed the impact of any special events.

Our findings

- We assessed the pension obligation estimate as overall balanced and judgements applied as neutral.
- We did not identify any material misstatement relating to this risk.
- Auditing Standards requires auditors to identify a management review control (MRC) where there is a significant audit risk. There is a significant threshold that needs to be met in order to have a satisfactory MRC in place – particularly around the precision of the control. We note that although the Council has processes in place to help ensure that the valuation of pension obligation is based on best estimate, supported by reasonable assumptions, these processes do not meet the required threshold of an MRC. Management have confirmed that they are comfortable with the current arrangements of employing an external expert to provide their valuations, and rely on their professionalism and skills to provide an accurate valuation.

Audit of the financial statements: West Lindsey District Council



Management override of controls

Professional standards require us to communicate the fraud risk from management override of controls as significant.

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.

We have not identified any specific additional risks of management override relating to this audit.

Our procedures

- We evaluated the design and implementation of controls over journal entries;
- We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates indicate a possible bias; and
- We analysed all journals through the year and focused our testing on those with a higher risk.

Our findings

- We have identified 2 journal entries and other adjustments meeting our high-risk criteria – our examination did not identify unauthorised, unsupported or inappropriate entries.
- We have not identified any instances of management override of controls.
- We have not identified any material misstatements relating to this risk.
- We have evaluated key accounting estimates and have not identified any indicators of management bias. Please see commentary on previous pages.

03

Value for Money

Value for Money

Introduction

We are required to be satisfied that 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 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.

We do not act as a substitute for the Council’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. We are also not required to consider whether all aspects of the Council’s arrangements are operating effectively, or whether the Council has achieved value for money during the year.

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.

Summary of findings

Our work in relation to value for money is complete.

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
Commentary page reference	15	18	20
Identified risks of significant weakness?	✗ No	✗ No	✗ No
Actual significant weakness identified?	✗ No	✗ No	✗ No
2023-24 Findings	No significant risks identified.	No significant risks identified.	No significant risks 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.

Local Government Reorganisation

The Government has announced proposals to restructure local government throughout England. County and District councils (and, in some cases, existing Unitary authorities) will be abolished and replaced with new, larger Unitary authorities, which will (in many cases) work together with peers in a regional or sub-regional Combined Authority. Authorities which are unaffected by these proposals may still see changes in local police and fire authorities and in the Councils they already work in collaboration with.

Restructuring has, in some cases, resulted in differing views on how services should be provided in their regions – with little consensus on how previously separate organisations will be knitted together. Councils will need to ensure that investment decisions are in the long-term interest of their regions, and that appropriate governance is in place to support decision making.

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.

Whilst the Government has indicated an intention to restore multi-year funding settlements, giving Councils greater certainty and ability to make longer-term investment decisions, the Government has also proposed linking grant funding to deprivation. For some authorities this presents a significant funding opportunity, whereas for others this reinforces existing financial sustainability concerns and creates new financial planning uncertainties.

Local context

- West Lindsey District Council is the local authority for the West Lindsey district of Lincolnshire, headquartered in Gainsborough. The Council serves approximately 95,000 residents across the district.
- For Local Government Reorganisation (LGR), the Council has actively engaged with partners across Greater Lincolnshire; however, it has not had sight of other councils' final proposals, limiting its ability to undertake an objective assessment of available options. As a result, the Council has resolved to maintain its current position of not formally supporting any proposal at this stage.
- In May 2025, the Council confirmed the appointment of a permanent Section 151 Officer, following an interim arrangement in place from February to May 2025. Also, in July 2025, the Council appointed a new Chief Executive, who formally commenced duties in September 2025. During the transition period (July to September 2025), the role was covered by an Interim Head of Paid Service. These appointments ensured that the Council met all statutory obligations associated with these key roles.
- On 8 September 2025, the Council appointed a new Leader and Deputy Leader, ensuring continuity and strengthening governance after the removal of former office holders. These changes have restored organisational stability and reinforced leadership capacity to drive the Council's strategic priorities.
- For 2024/25 budget, the Council's actual outturn position was positive at c.£16.2m i.e. an underspend of c.£1.8m if compared with the revised budget of £18m.
- The Council's General Fund increased by £588k during the year, with reserves of £24m as at year-end. Of these reserves - £19.5m, are earmarked and the remainder of £4.5m are above the minimum general fund range of £2.0 - £2.5m, as set by the Corporate Policy and Resources Committee (CPRC).
- As part of its Capital Plan the Council spent £17.4m against a revised budget of c.£23m, resulting in an underspend of c.£5.6m. This was largely driven by delayed projects.
- There were no adverse inspectorate findings in the year.
- We have not identified any issues from our media review
- We have not identified any issues arising from quality of services provided by the Council.



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:

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

Budget setting

The Council's budget-setting process commences in June with an initial meeting between the Business Support Team Leader and Finance Business Partners (FBPs) to agree the timetable, responsibilities, and key actions. This establishes the framework for subsequent reviews and approvals. FBPs undertake a detailed review of controllable budgets, identifying potential savings and income opportunities. Working papers are prepared ahead of discussions with budget managers. Throughout the process, monthly leader panels provide updates, and 'Pressure List' reports are presented to the Management Team (MT).

Draft budgets for the first year and projections for years two to five, alongside 'Fees and Charges', 'Review of Reserves', and the 'Medium Term Financial Plan' (MTFP), are presented to MT, Prosperous Communities Committee (PCC), and CPRC. These reports drive informed decision-making and ensure transparency prior to Council approval.

Final entries, including council tax and government settlement figures, are incorporated into the MTFP. Budgets are reviewed by FBPs and budget managers before submission to Directors for approval. A formal challenge process is undertaken through MT, PCC, and CPRC, focusing on assumptions, pressures, and key funding areas.

The full Council approved the 2024/25 budget on 4 March 2024 as part of the 'Executive Business Plan 2024/25–2026/27' and the 'Medium Term Financial Plan 2024/25–2028/29'.

Budget monitoring

The Council's budget monitoring process is governed by the Financial Procedure Rules within its constitution. The Chief Finance Officer (CFO) sets the format, frequency, and reporting requirements, presenting quarterly reports to the CPRC. Directors and Assistant Directors are accountable for managing their budgets and must notify the CFO and Management Team of any variations exceeding £10,000, along with proposed corrective actions. Regular monitoring reports compiled by the CFO include recommendations to ensure financial control and compliance.

Quarterly reports provide actual and revised forecasts for revenue, capital, treasury, and staffing budgets, supported by an executive summary highlighting key positions, risks, and significant movements over £10,000. These reports also include commentary on major budget items and trends across service clusters. Variances from quarterly budget monitoring reports are assessed for their impact on the MTFP, which is updated as part of the subsequent year's budgeting cycle.

Consistency between financial and operational plans

The budget setting report is submitted to the MT, Committees, and the Council in conjunction with other pivotal strategies and operational plans for the entity, including the Executive Business Plan (three years), Capital Programme, Treasury Management Strategy, Council Tax Revenue Budget, Fees and Charges, Pay Policy, and MTFP. These documents are developed, challenged, and formally approved simultaneously to ensure that all operational activities of the Council are harmoniously aligned with the financial plans before the commencement of the financial year.

Financial Sustainability



Budget outturn

For 2024/25, the Council's initial budget for net revenue expenditure was £17.3m, later revised to £18m. The Council's actual outturn position was positive at c.£16.2m i.e. an underspend of c.£1.8m if compared with the revised budget. After taking into account carry forwards to future years, the Council's net contribution to reserves for the year amounted to £1.1m, compared to the breakeven position set in the initial budget.

Efficiency plan

We have observed that the Council does not have a formalised process for identifying and developing savings plans, monitoring the progress of savings initiatives, and taking corrective actions when necessary. This approach has been shaped by the Council's historically stable financial position and adequate reserves, which have mitigated short-term liquidity concerns. While the Council has a strong track record of delivering financial plans and maintaining healthy reserves, the absence of structured savings arrangements presents a potential future risk—particularly from 2026/27 onwards, when General Fund reserves are projected to be insufficient to cover anticipated funding gaps. Although this is not considered a weakness at present, alternative strategies should be explored to mitigate risks arising from increased spending pressures or static reserves. A Performance Improvement Observation has been raised in this context.

2025/26 Budget

The Council's Net Revenue Expenditure budget for 2025/26 has been set at approximately £21.15m. Total reserves are projected at £20.6m, an upward movement £0.8m from the prior year. These reserves include non-earmarked General Fund (GF) working balance of £2.2m. CPRC has established a minimum working balance for the GF within the range of £2.0m to £2.5m. According to the Q2 Budget and Treasury Monitoring Report (November 2025), the forecast outturn position indicates a net contribution of £0.177m to GF reserves.

Financial sustainability risk

The Council maintains a strategic risk register and reports quarterly to the Governance and Audit Committee. A key risk (CO1) relates to achieving a sustainable balanced budget, assessed as medium with a score of 8. The risk is being managed through measures such as the Medium Term Financial Plan, commercial trading and investment initiatives, annual business planning, and regular budget monitoring. While the 2025/26 budget is balanced largely due to a one-off business rates surplus, officers are now focused on addressing future budget gaps within the Medium Term Financial Plan.

Key financial and performance metrics:	2024-25	2023-24
Planned net revenue expenditure	£17.3m	£16.9m
Actual net revenue expenditure	£16.2	£16.7m
Usable reserves	£28.6m	£28.5m
Gross debt compared to the capital financing requirement	0.66:1 (CFR: £36m)	0.65:1 (CFR: £37m)
Year-end borrowings	£24m	£24m
Year-end cash and cash equivalents position	£19.7m	£18.2m

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

Financial Sustainability



Medium Term Financial Plan (MTFP)

- The latest Medium Term Financial Plan, agreed on 3 March 2025, by the Council shows funding gaps of nil, £1.2m, £2.9m, £3.5m and £3.5m in the periods 2025/26 to 2029/30 respectively. The Council's projected reserves are anticipated to remain within the range of £20 to £21m, inclusive of a GF working balance maintained at £2m throughout the same period.

Reserves

Reserve	2024/25 (£m)	2023/24 (£m)
General Fund	4.4	3.3
General Fund Earmarked	19.6	20
Total General Fund Balance	24.0	23.3

The Council's usable reserves total £28.6m as at 31 March 2025, including £24m in GF reserves, which saw a modest increase during the year.

Conclusion

Based on the procedures performed, we have not identified any significant weaknesses in relation to the Council's arrangements to maintain 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:

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

Risk management

The Council operates under a comprehensive risk management framework, last ratified in September 2019, which categorises risks across strategic, operational, contractual, programme, fraud, information, and partnership areas. It defines the Council's risk appetite as "Creative and Aware," reflecting a willingness to take calculated risks to achieve strategic objectives. The framework sets out processes for identifying emerging risks, maintaining a central risk register, assigning ownership, and applying response strategies such as avoid, tolerate, transfer, treat, or terminate. Risks are scored for inherent and target levels, with mitigation actions reviewed regularly.

Monitoring and governance are embedded at multiple levels. Strategic risks are reviewed quarterly by the Management Team and reported to the Governance & Audit Committee (G&A), while service-level risks are managed through monthly team meetings. The Corporate Governance Team oversees the central register to ensure consistency. Roles and responsibilities are clearly allocated, with the Council holding ultimate accountability and G&A providing oversight. Additional assurance is provided through the Overview and Scrutiny Committee and an Independent Member acting as 'Risk Champion,' supported by senior officers including the S151 Officer and Monitoring Officer.

Governance Structure

The governance structure is outlined in the Council's Constitution, ensuring clarity and efficiency. The Council is supported by the Overview and Scrutiny Committee, which aids in making key decisions. For regulatory functions, the Planning Committee, Licensing Regulatory Committee, and G&A Committee play pivotal roles in maintaining effective governance. Additionally, the CPRC and the PCC oversee the Council's policy functions. These committees collectively embody a robust governance framework.

Anti-fraud controls

The Council has implemented the "Prevention of Financial Crime Policy, Anti-Fraud and Corruption Policy, and an Anti-Bribery Policy." This policy defines various types of fraud and outlines the arrangements in place to prevent, detect, and investigate fraudulent activities. This policy also specifies the actions and responsibilities of different functions in the event of fraud. The policy was last updated in March 2019. A Performance Improvement Observation has been raised in this context.

The Chief Finance Officer prepares an Annual Counter Fraud Report, which is presented to the G&A Committee. The committee members review the findings of the report, and follow-up actions or recommendations are assigned to the Chief Finance Officer for implementation. The Council also receives assurance on anti-fraud controls through the work of internal audit.

Financial Plan 2024/25 and outturn

For detailed information on the establishment and approval of the 2024-25 financial plan, as well as outturn of the budget, please refer to page 15. We have confirmed that appropriate arrangements are in place for annual budgeting process.

Compliance with laws and regulations

The Council's Monitoring Officer is assigned the responsibility of ensuring compliance with all relevant legal requirements. According to the Constitution, the Monitoring Officer, in consultation with the S151 Officer, is obligated to report to the Council if they believe that any proposal, decision, or omission would result in unlawfulness or maladministration. Such a report will effectively halt the implementation of the proposal or decision until it has been duly considered. Management inquiries have confirmed that there have been no breaches of legislation or regulatory standards that have led to an investigation by any legal or regulatory body during the year.

Governance

Standards of behaviour

The 'Officer Code of Conduct' sets standards for staff behaviour, covering anti-fraud, anti-corruption, gifts and hospitality, and requiring disclosure of relationships with contractors. It also provides safeguards against harassment and ensures confidentiality. However, several related policies, including the Code of Conduct (last reviewed in 2020) and disciplinary policies, are overdue for review despite a two-year cycle. The Council maintains an updated Whistleblowing Policy, approved in July 2025, supported by regular briefings from the Monitoring Officer to promote awareness and proper reporting. A Performance Improvement Observation has been raised in this context.

Decision making process

The Council has established arrangements to ensure scrutiny, challenge, and transparency in decision-making. During 2024–25, an internal audit of procurement provision resulted in a limited assurance opinion, highlighting the need to update the Council's Contract & Procurement Procedure Rules (CPPR), strengthen resources, and improve document management. In response, the Council updated its rules and policies in line with legislative requirements, revised its Constitution, delivered staff training, and enhanced collaboration with Procurement Lincolnshire. A follow-up audit in February 2025 provided reasonable assurance, reflecting these improvements.

The CPPR, ensures compliance with the Public Contract Regulations 2015 and the Council's own procedural rules as outlined in the Constitution. These rules govern all contractual arrangements made by or on behalf of the Council, including the execution of works, delivery of services, and the supply of goods. Further, key decision-making is subject to discussion and scrutiny at executive team level and relevant sub-committees such as CPRC, followed by formal approval by the Council.

	2024-25	2023-24
Control deficiencies reported in the Annual Governance Statement	One 'Limited Assurance' issued by Internal Audit with respect to procurement process. Follow-up review concluded as 'Reasonable Assurance' after implementation of recommendations.	None.
Head of Internal Audit Opinion	Opinion not applicable. Under the Combined Assurance framework, Internal Audit considered 27 actions, comprising 8 medium-priority and 19 low-priority actions. The Council has demonstrated reasonable progress in implementing agreed management actions.	Substantial assurance
Local Government Ombudsman findings	No significant findings	No significant findings

In January 2025, the LGA peer review recommended that the Council prioritise reviewing and filling its management structure, citing risks to capacity and resilience if statutory roles were unfilled. Since year-end, the Council appointed a substantive Section 151 Officer in May and a substantive Chief Executive Officer in July, fulfilling key statutory responsibilities. Political leadership was also stabilised with the appointment of a new Leader and Deputy Leader in September. While no weaknesses were identified for 2024/25, any further disruption could materially impact governance in 2025/26 and beyond.

Conclusion

Based on the procedures performed, we have not identified any significant weaknesses associated with the Council's governance arrangements.



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:

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

Performance of services

The Council has embedded processes to leverage cost and performance data to strengthen service management and delivery, ensuring value for money. In line with the Performance Management Policy, the CPRC oversees the performance framework, while the PCC provides wider visibility and transparency. Forecast outturn positions for both revenue and capital budgets are reported quarterly through the governance cycle to MT and CPRC. Revenue reports highlight significant variances with explanations and mitigating actions, while capital expenditure is monitored against budget with narrative on forecast variances, feeding into Quarterly Budget Monitoring Reports.

Additionally, the Change Management team issues a quarterly Progress & Delivery Report to MT and Committees (PCC and CPRC), assessing service performance against internal indicators, including financial measures. The Q4 2024/25 report confirms that the Council's approved performance framework comprises 54 KPIs across five portfolios, with 41 KPIs exceeding targets, 6 within tolerance, and 7 below target. Performance Improvement Plans are implemented for measures falling below target for two or more consecutive periods, reinforcing accountability and continuous improvement.

Benchmarking

The Council uses benchmarking data during its annual review of fees and charges for the upcoming financial year, as part of the budget setting process. This data, along with market conditions, helps determine appropriate service charge levels. Additionally, the Council collaborates with the Association of Public Service Excellence (APSE) to benchmark its service delivery efficiency against other public bodies. At the end of each year, the Council submits its service delivery data to APSE, which then issues benchmarking reports. These reports provide insights for the Council to reflect on and improve its service delivery.

Partnerships

The Council works collaboratively with partners to develop organisational and system-wide plans, promoting shared ownership and coordinated delivery. Notable achievements include the co-development of the housing strategy with registered providers, enabling needs-led accommodation projects such as bespoke housing for older people and individuals with learning difficulties. Partnership performance is monitored through the Council's performance management framework, which aligns with its transformation agenda and continuous improvement programmes. The Council also plays a strategic role in regional growth initiatives as a member of the Central Lincolnshire Joint Strategic Planning Committee and a key partner in the Greater Lincolnshire Local Enterprise Partnership, supporting economic development and job creation.

Outsourced services

The Council did not engage in any significant outsourced contracts for its services during the 2024/25 fiscal year.

Conclusion

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



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Document Classification: KPMG Public