DRAFT: Auditor's Annual Report for South Holland District Council

Year-ended 31 March 2025

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27 October 2025

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Our audit report is made solely to the members of South Holland 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 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.

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01

Executive Summary

Executive Summary

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Purpose of the Auditor's Annual Report

This Auditor's Annual Report provides a summary of the findings and key issues arising from our 2024-25 audit of South Holland 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 its 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 Group and the Council and of their 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 and other information	The Code of Audit Practice requires us to issue the Auditor's Annual Report no later than 30 November of each year. In order for us to comply with this requirement, we have issued this Auditor's Annual Report prior to the completion of our work in relation to the financial statements and other information. Consequently, we have not reached our conclusions in respect of these areas.
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 7.
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 informed us that we are not required to perform any further procedures, we are unable to confirm that we have concluded our work in this area.
Other powers	See overleaf. Note that, as we are still performing our procedures in relation to the financial statements, we may choose to exercise our other powers in relation to the 2024-25 audit in the future.

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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.

As at the date of this report, 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.

As at the date of this report, 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.

As at the date of this report, we have made no recommendations under Schedule 7 of the Act.

As at the date of this report, 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.

As at the date of this report, 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.

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02

Value for Money

Value for Money

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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	9	15	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	←→	←→	←→

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Value for Money

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National context

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

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

We have commented on the impact of Local Government reorganisation on the Council on page [x]. As part of this, we've confirmed that an interim plan was submitted on 10 March 2025 by Lincolnshire County Council. However, this does not impact on the Council's arrangements for the 2024/25 year of audit.

As part of our national context considerations, we have indicated that there is expected to be a steady reduction in central government grants available to Councils over the coming years. However, for South Holland, the Council has generated £25m of central government grants in 2024/25, representing an increase of 14% from 2023/24. The largest income generating activities for the Council is within their fees, charges and other service income which makes up approximately 38% of gross income and which grew by 12% from 2023/24.

The Council has underspent on their General Fund revenue budget by £0.3m in 2024/25 and also have a net underspend of £0.2m on their Housing Revenue Account (HRA) budget.

Despite the surplus on the aforementioned budgets, due to technical accounting treatments (such as the loss on revaluation of non-current assets during the year) the Council made a deficit within their comprehensive income and expenditure statement of £4.8m. In addition, a deficit on the HRA statement was made of £0.1m.

The Council engaged Savills PLC, as an external expert, to undertake a review of the Housing Revenue Account stock throughout 2024/25. This information will be utilised for the Council to prepare a long-term financial plan for their HRA.

We are satisfied that the Council has total usable reserves of £40.5m as at 31 March 2025. Therefore, these aforementioned deficits did not indicate a significant risk to the entity. We have focused on the arrangements in place during the financial year and management has demonstrated a commitment to ensuring appropriate arrangements are in place through their governance processes in place surrounding budgets, and the commission of an external review for the HRA.

The Council has prepared a balanced budget for 2025/26 which was approved by the Council in February 2025. However, this requires efficiencies to be generated of £1.2m. As part of this, the Council has developed a programme of service reviews to identify improvements that can be made across the Council's services that are in the process of being undertaken and implementing actions.

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Financial Sustainability

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

We have considered the following in our work:

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

Setting the 2024/25 financial plan

- The budget setting report for 2024/25 comprises a five-year financial strategy. The foreword to the budget sets out the challenges the Council is facing, including inflationary pressures and significant changes in resident, customer and business needs. The spending plan shows budgeted gross expenditure of £48.3m.
- To meet a balanced budget, the Council identified an efficiency requirement of £832k for the year. The efficiency target is made up of budget savings requirements of £186k and Internal Drainage Board (IDB) funding requirement of £646k. The budget was approved by the Full Council on 29 February 2024 in advance of the financial year.
- Budget assumptions are clearly outlined within the budget setting report. These assumptions are subject to challenge at the Governance and Audit Committee, and Cabinet before they are presented to Council for approval. Through our review, nothing has come to our attention which would suggest assumptions used were not reasonable and appropriate.
- The Internal Drainage Board (IDB) levy continues to be a cost pressure for the Council with a budgeted cost of £3.4m in 2024-25 (an increase of 7.7% from 2023/24). The Council has seen increases on average of 30% of the levy from 2021/22. The Council has estimated increases after 2024/25 at 5% per annum. The Council is liaising with the local Internal Drainage Boards to work towards limiting future increases where possible. Lobbying of Government is also underway. To aid with the lobby, the Council has split their efficiency requirement between the IDB Funding Requirement and the Annual Budget Efficiency requirement.
- The long-term Housing Revenue Account (HRA) business plan was set in 2013/14. Following this, it has been amalgamated as part of the annual budget setting HRA medium-term financial plan process. The HRA is included within section eight of the Medium-Term Financial Plan, with the detailed HRA budget as an appendix. This was therefore also approved in the Full Council meeting on 29 February 2024 and showed a budgeted surplus of £669k for 2024/25.
- The Council has undertaken a review of their long-term financial plan with Savills for the HRA throughout 2024/25. As part of this process, Savills have also performed a Housing Stock Condition Survey for all their council dwellings, of which the results will form an integral part of the long-term financial plan for the HRA.
- The capital programme is reviewed alongside the budgets to ensure it is consistent with the wider-budget setting process. The Council's capital programme for the year included capital spend of £14.5m in HRA and £8.5m in Non-HRA assets. The capital programme was presented to the Cabinet before approval from the Council.

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- How the Council identifies and manages risks to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions underlying its plans.

Setting the 2024/25 financial plan (cont.)

- The Partnership Delivery and Alignment plan for the South and East Lincolnshire Council's partnership is presented alongside the budget to the Full Council.
- Internal Audit undertook a review of the budget setting process for the Council for 2024/25 .The outcome of this review concluded that the control environment for budget setting operated effectively in the period tested. The Councils in the partnership have set a balanced budget for the 2024/25 financial year amidst inflationary pressures.
- Through our document review of the papers presented to the Full Council as part of the budget setting process, we noted that reporting did not include Group figures and as such did not include the financial performance of its two wholly owned subsidiaries: South Holland Homes and Welland Homes or; it's jointly owned entity, Public Sector Partnerships Ltd (PSPSL). Our group scoping for the audit identified Welland Homes has investment properties that are material to the Group. We raised this as a low-risk rating performance improvement point in our audit completion report for the year-ended 31 March 2024, but this was not accepted by management. This did not have an impact on our VFM conclusion. Therefore, we have noted this issue here again for transparency to Members, however, we will not raise another performance improvement observation, and this does not give rise to a significant risk of weakness of the entity's arrangements.

Consistency between the financial plan for 2024/25 and workforce and operational plans

- The budget setting report is presented to the Cabinet and the Full Council alongside other key strategies for the entity such as the: Capital Strategy, Treasury Management Policy Statement, Treasury Management Strategy, MRP Policy and Annual Investment Strategy, Medium Term Financial Plan (5 years) and the Annual Delivery Plan.
- As noted at the top of this page. the Partnership Delivery and Alignment plan for the South-East Lincolnshire Council's partnership is presented alongside the budget to the Full Council.
- These are all developed, challenged and approved at the same time to ensure all the activities of the Council are aligned prior to the start of the financial year.

Developing the 2024/25 efficiency plan

- The Council identified an efficiency target of £832k in the approved budget for 2024/25. The saving requirement increases to £1m in 2025/26 and up to £1.8m in 2028/29. Therefore, it is critical for the Council to achieve recurrent savings and have a formal efficiency programme in place to ensure savings targets are met.

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Financial Sustainability

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- 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.

Developing the 2024/25 efficiency plan (cont.)

- Before the efficiency target was set, the Council went through a process to identify a list of potential savings. Through inquiry with management, a meeting was held with the Cabinet members to discuss savings in December 2023. A list of potential savings was identified and discussed at this meeting, which was the subject to review by the Senior Leadership Team (SLT). The savings that were identified before the 2024/25 budgets were set are reflected in the budget for each service area. For unidentified efficiencies, they must go into the savings target. We requested evidence of this meeting as part of our work, however, no minutes or actions logs have been kept by the Council. Therefore, we have raised a performance improvement observation for the Council to keep a formal log for key decisions made in relation to identification of efficiencies within the budget setting and monitoring process.
- In our audit completion reports for the prior year, we reported that for the financial year ended 31 March 2024, that the Council did not have a formal efficiency programme in place and raised a medium-risk performance improvement observation. As part of our planning and risk assessment procedures we have obtained the efficiency programme for up to Quarter Two and have confirmed the format has not changed. However, we note that it is now reconciled to the efficiencies met within the quarterly finance updates presented within the Governance structure.
- The efficiency programme we have obtained is a long list of potential efficiencies to be explored which are allocated to lead officers. This has been used to identify and report efficiencies during 2024/25. There are no due dates on the efficiency list and therefore it cannot be seen if savings are falling behind plan.
- Therefore, based on audit evidence obtained for the year ended 31 March 2025, we have concluded that there is not a formal programme in place to effectively identify, RAG rate and monitor efficiencies. The outgoing S151 officer was heavily involved in the discussion and updating of the long list and has left the organisation in March 2025. Therefore, if processes, actions and priorities are not formally documented, there is a risk to the Council that key knowledge will be lost. This will hinder the Council's ability to continue to effectively make savings. The Council achieved a surplus of £317k (forecasted £214k) against the general fund budget, and a surplus of £194k (forecasted £199k) against the HRA budget, so we do not believe this gives rise to a significant risk of significant weakness relating to financial sustainability for the year ended 31 March 2025, however, it is likely to have a greater impact for the 2025/26 financial year onwards. We raised a medium rated performance improvement observation in the prior year for a formal efficiency programme to be developed. In response, management set a due date of this observation of 30 September 2025.
- We have observed through attendance at the September 2025 Governance and Audit Committee, the Council had an internal audit review scheduled for the 'Identification and Monitoring of Savings'. However, the internal auditors found there was insufficient controls in place – and was unable to establish sufficient first or second-line controls to test. Therefore, we consider our above recommendation to be not implemented.

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Developing the 2024-25 efficiency plan (cont.)

- There are three different Senior Leadership Team (SLT) meetings that have been held monthly throughout 2024-25. Each meeting has a different focus on the following areas respectively: Governance, Major projects, and Business & Efficiency Savings. As part of our planning and risk assessment procedures, we requested a copy of the minutes and actions taken for a sample of two months throughout the year covering Business & Efficiency Savings meetings. We confirmed from the agendas of the September 2024 and January 2025 meeting that an item for the savings/efficiency plans was included. However, the meetings are not minuted and therefore are not available to review. This also means there are no action logs prepared and monitored by the Council in relation to achieving the efficiencies within the long list. Therefore, in the absence of audit evidence, we cannot confirm the efficiency lists are discussed appropriately within the Governance structure of the Council.
- The Council has an Innovation, Transformation and Efficiency Board. This is chaired by the Section 151 officer. There is a Terms of Reference dated May 2023 in place which outlines that the purpose of the Board is to develop, coordinate and manage innovation, transformation and efficiency activity across the Council and ensures that service improvements and savings are delivered in line with the Delivery Plan and Medium-Term Financial Plan.

Assessing and managing financial sustainability risks

- The Council has a Risk Management Framework in place. The policy, has a review period of every 4 years. This was last approved by the Council on 18 January 2024, so is next due for review in January 2028.
- The Council has a Strategic Risk Register, and a risk management report is presented to the Governance and Audit Committee on a quarterly basis. The Council has identified a strategic risk relating to the long-term balancing of the budget and related constraints.
- In the quarter two risk report, the Council's Strategic Risk of "Council Financial Positions" including balancing the budget in future periods has a risk score of 16 (High). The risk score remains unchanged in the quarter four risk report that was presented to the Governance and Audit Committee in July 2025. However, a target risk score is now included of 9 (Medium). There are no planned mitigations detailed within the report presented to the Committee. As the current risk score is higher than the target risk score, a corresponding action is expected. We raised a performance improvement observation in the prior year for the Council to review the mitigating actions in line with their Risk Management Framework to ensure they are SMART, in particular, clearly identifying a target date for each mitigating action. This has not been fully implemented in the year ended 31 March 2025.

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Assessing and managing financial sustainability risks (cont.)

- As part of the budget setting process, the budget includes the Medium-Term Financial Plan (5 years). As such the projected budgets allows management and the full Council to assess the risk to achieving a balanced budget in the immediate, short and medium term. From the approved budget, the savings requirement of the Council is £0.8m in 2024-25 and £1m in 2025-26, £1.1m in 2026-27, £1.4m in 2027-28 and 1.8m in 2028-29, outlining the challenges the Council continues to face in the upcoming years in relation to the identification of recurrent efficiency savings.
- Within the quarter two efficiency list for 2024/25, this does not include a forward look of the efficiencies that are to be gained in the future years, which is inconsistent to what we have found at another Council in the Partnership.
- The Governance relating to risk management, and assessing risks is detailed on page 15.
- The Government announced it would provide £3m of further funding to support Councils significantly impacted by Internal Drainage Board levies. South Holland was awarded £335k for 2024/25 which has been included within the forecast and efficiencies.
- We have confirmed through our minute review, the financial performance of the entity is reported consistently in the format of a finance report that is presented to the Cabinet and Full Council during the year.
- The Council is currently behind their capital programme for General Fund and Housing Revenue Account (HRA). They are reporting capital spend at the end of August 2024 of £1.6m and £5.8m against a full year budget of £11m and £22m respectively. The Council is forecasting this to pick up in the second half of the year to deliver £8.3m of non-HRA capital spend, and £21m of the HRA capital spend. As per the financial statements for the year-ended 31 March 2025, the Council has quoted capital spend of £4.8m on general fund assets, and £14.8m on HRA assets.

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- The Local Government Association publish value for money profiles to aid comparison of different local Councils. We have selected key indicators to aid with our value for money risk assessment of the entity. Whilst these indicators do not include the most recent financial results for the 2024/25 year, they can show longer-term trends which could be indicative of the direction of travel for the entity. We have considered the following indicators as part of our assessment:
  - **Total net service spend per head**: The Council had the lowest spend per head in 21/22, which has increased in 22/23 and 23/24. For 23/24 the spend per head is above the mean for all English District Council's – however, it remains close to the mean. The Council's usable reserves have reduced from £48m in 21/22 to £40m in 23/24. The usable reserves have remained stable in 2024/25.
  - **Total (non-school) reserves as a percentage of net current expenditure**: The Council's non-school reserves as a percentage of net current expenditure are below the mean of all English District Councils for the past 6 years. Since 21/22 the Council's position has remained stable up to 23/24, with no indication of significant financial pressure or an inability to meet budgets in the short-term. We note that the Council had a general fund underspend against the budget of £115k in the year ended 31/03/2024. The Council also made a surplus of £317k in 2024/25.
  - There are two indicators where the Council was an outlier:
    1. The Council was above the mean for total expenditure on council tax local support scheme admin per chargeable dwelling; and
    2. The Council was above the mean for total expenditure on waste minimisation per head.
  - The above outliers are not indicative of a significant risk of weakness in Value for Money arrangements.
  - The Council achieved 62% of their efficiency target for 2024/25, as reported in the quarter four outturn report presented to Cabinet in July 2025. Cash reserves have grown to £5.2m as at 31 March 2025, and the Council has generated net cash inflows of £10.3m from operating activities.
  - The Council has a budget for 2025/26 that was approved by the Council on 27 February 2025. The efficiency target for 2025-26 is £1.2m (£0.9mfor IDB Funding Requirement and £0.3m for the budget savings requirement). We have noted on the previous page the weaknesses in the process for maintaining and monitoring a formal efficiency plan. However, based on the Council's financial position, level of reserves and generating cash through operating activities, we are satisfied there is not a significant weakness in the financial sustainability of the Council for the year ended 31 March 2025.

Key financial and performance metrics:	2024-25 £'000	2023-24 £'000
Actual surplus/(deficit) *against general fund budget	317	116
Actual HRA surplus/(deficit)	(119)	(33,801)
Actual gross expenditure*	82,070	111,975
Planned capital budget* *24-25 figures taken from Q2 finance report presented to Cabinet*	32,560	24,319
Actual capital additions to Property, Plant and Equipment	16,555	20,207
Usable reserves	40,508	40,768
Capital financing requirement	84,778	83,716
Gross debt compared to the capital financing requirement	0.79	0.81
Year-end borrowings	67,482	67,482
Year-end cash position	5,277	2,762

**Actual gross expenditure cannot be directly compared with the planned gross expenditure. The actual gross expenditure includes technical adjustments such as revaluation movements and other technical accounting entries that are not required to be budgeted for by the Council. Therefore, we have only included actual gross expenditure in the above table and have not compared against planned expenditure.*

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

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

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Governance

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

We have considered the following in our work:

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

Identification, monitoring and management of risk

- The Council has a Risk Management Framework in place. The policy was approved on 18 January 2024, with a review period of every four years. This has well-documented processes in place to identify, monitor and manage risk. This outlines the Council's overriding attitude to risk: to operate in a culture that is open to all potential options in which all risks are identified, understood and proportionately managed, rather than avoided.
- The Council manages risk at three governance levels: strategic, operational and project management. Each has their own risk management responsibilities as outlined in the Risk Management Framework. A quarterly corporate governance clinic is held with Assistant Directors to review risks. Any changes in risk scores are clearly outlined in the covering risk report that goes to the Governance and Audit Committee during the year.
- The quarterly risk reports include risk registers for the partnership and the HRA which were introduced in quarter one of 2024-25.
- From attending Governance and Audit Committee, we have observed management has improved the format of the Strategic Risk Register for Committee members such as including the target risk score next to the current risk score to show the desired risk profile.
- We obtained a copy of the quarter three operational risk register for the Council. We filtered the risk where the Council were to 'treat' the risk as the current risk score is higher than the target risk score. We confirmed that a planned action, and an action due date was assigned against each of these risks. The action due dates in the quarter three operational risk register range between March 2025 and March 2026. We reviewed the one action with a target date of March 2026, and confirmed this action related to workshops and training that were to be delivered, therefore the timeline appeared reasonable for the Council to roll these out.
- Through our attendance at Governance and Audit Committee we are satisfied that there is appropriate oversight and scrutiny of the risk scores and risks.

Controls in place to prevent and detect fraud

- The Council has refreshed several of their policies in 2024/25. We have obtained a copy of the new Code of Conduct for Council employees which is the same across each of the three Council's in the South & East Lincolnshire Councils Partnership and was published March 2024.

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- We have obtained a copy of the Counter Fraud, Corruption and Bribery Policy - this was dated February 2021. Through attendance at the Governance and Audit Committee, we are expecting the new version of this policy to be approved at the September 2025 Committee. At the March 2025 Committee, it was confirmed by management that this policy had been refreshed and was currently going through the approval process before it could be published. This was not presented to the September 2025 committee. However, this is not indicative of a significant weakness in the Council's governance arrangements.
- Our inquiries with management identified that the maintenance of the Register of Interests occurs annually as part of the year-end financial reporting process. Our walkthrough of the related party transaction process confirmed that the Council has an appropriate process in place to obtain annual declarations for relevant individuals and to identify related party transactions from said declarations. However, we identified that declarations of interests were not completed and returned for five Councillors, and two members of the senior leadership team at the time of preparing the financial statements. This includes one (interim) member of the senior management team who has subsequently left the Council. Therefore, this control has not operated effectively during the 2024/25 year.
- We have considered the impact of the missing declaration forms for the five Councillors and two senior leadership team members on the overall governance arrangements of the Council. The last declaration forms received for the Councillors was 2023/24 (completed between the dates of March and June 2024). Therefore, although we consider the control to not have operated effectively for the year ended 31 March 2025, and we have reported this as a control deficiency to Those Charged with Governance within our ISA260, we do not consider this to be indicative of a significant weakness in the Council's governance arrangements for our Value for Money opinion.

Internal audit

- The Council engages Lincolnshire County Council as their internal auditors. They are independent to the Council and provide assurance over their internal controls, including core financial controls. The Head of Internal Audit (HoIA) opinion 2024-25 was 'Adequate'.
- Internal Audit has undertaken counter-fraud mapping in three key areas: Procurement, Assets and Revenues and Benefits. Fraud risk registers have been created, and Internal Audit has advised on updating and reviewing the Council's counter fraud policies. However, we identified the fraud risk registers were not included within the quarterly risk reports that are presented within the Governance Structure. The Council receives a Counter Fraud First quarterly report. This is prepared by the Counter Fraud Team at Lincolnshire County Council. This includes updates on the number of whistleblowing and confidential reports received and updates on emerging risks. We reviewed a sample of these reports (quarter one and three) and we did not identify anything that required specific audit attention for the purpose of our risk assessment.

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- In the prior year, the Council received a 'No Assurance' report on their Procurement Cards process. For all no assurance and limited assurance reports, Internal Audit will complete a follow-up review. The Procurement Card audit follow-up was completed in August 2024 and was given an 'Adequate Assurance' opinion.
- Within the 'Internal Audit Annual Report and Opinion 2024/25' presented to July 2025 Governance and Audit Committee, it was confirmed no individual audit engagement was given 'no assurance'.
- The internal Auditor has published two 'Limited Assurance' internal audit reports in 2024/25. These were for Insurance and Bank Reconciliations. The outcomes are reported directly to the Audit and Governance Committee. All recommendations are given a due date and a responsible officer and are agreed with the Council. This evidences appropriate oversight and scrutiny of adverse finding reports within the Governance structure.

Review and approval of the 2024-25 financial plan

- See pages 9 and 10 for the detail on the setting and approving the 2024/25 financial plan. We have confirmed that this has had sufficient scrutiny throughout the Governance structure ahead of the financial year.

Budget Monitoring

- Financial performance is monitored against budget. As part of our risk assessment, we have reviewed the quarterly finance reports and treasury management updates reported to the Governance and Audit Committee, Cabinet and Council in 2024/25. We have confirmed there is appropriate reporting of performance against the budget within the Governance structure during the year.
- The Council received an Internal Audit assurance rating of 'Adequate' on their budget monitoring for the revenue and expenditure of the Council. There are improvements that can be made regarding escalation of overspends being reported to senior management in line with directives agreed, and a formal training plan put in place to ensure effective budget management.
- Performance against the financial plan is outlined on page 14.
- Budget managers must complete a quarterly monitoring action plan for the budgets they are responsible for. This is a standard pro-forma detailing concerns/issues raised by their business partner plus standard required checks on grants, reserves and contracts. Any required actions are listed with a responsible officer and deadline. This should be signed by the business partner and the budget manager.

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- We obtained two budget monitoring reports for quarter three, December 2024. One was signed by the business partner in February 2025, and one in April 2025. Both were signed by the budget manager in April 2025. Therefore, although we have confirmed the budget reports have been signed by the business partner and the business manager, we have concluded that these have not been signed off in a timely manner. We would expect these to be signed by both the business partner and the budget manager in the month after to which they relate. This was a performance improvement opportunity identified in the prior year audit, which we followed up on as part of the 2024/25 audit, therefore, we consider this recommendation to be not implemented.

Monitoring compliance with laws and regulations

- The Council has a legal service who is responsible for regularly reviewing regulatory change. Service areas are also responsible for being aware of new regulatory changes in their area and these are communicated for implementation as appropriate.
- Furthermore, all papers in relation to key decisions such as plans, proposals and procurements for senior officer groups or member committees are required to consider the implications of constitutional and legal, corporate priorities, reputation, equality/human rights/safeguarding and environmental legislation as standard. We have seen this pro-forma is used consistently as part of our minute review of the Governance and Audit Committee, Cabinet and Council.
- Management inquiries confirmed there were no breaches of legislation or regulatory standards that have led to an investigation by any legal or regulatory body during the year.

Monitoring officer compliance with expected standards of behaviour

- All Councillors are bound by the Constitution which is derived from statute and decisions of the Council. All Councillors are required to agree to the Constitution and the Monitoring Officer, as the delegated official, is responsible for overseeing training, awareness and complaints surrounding the Code of Conduct.
- The Council's Code of Conduct communicates values and expected behaviours of staff. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regards to gifts and hospitality and conflicts of interests.
- The Council has a Whistleblowing Policy in place to raise concerns of behaviour that do not meet the Code of Conduct. This sets out the actions the Council will take in the event of a whistleblowing incident. We raised a low-level performance improvement point for the refresh of various policies in the prior year - Whistleblowing being one of them. We have identified through attendance at the Governance and Audit Committee that this has been refreshed by the entity, however, it will be sent to the Governance and Audit Committee for approval in the September 2025 meeting. This policy was not presented at the September 2025 meeting, however, is not indicative of a significant weakness in the Council's governance arrangements for 2024/25.

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Ensuring decisions receive appropriate scrutiny

- Key decision making is subject to discussion and scrutiny at Cabinet level and relevant sub-committees, followed by formal approval by the Council. All key decision records are available to view on the Council's website (unless restricted due to sensitive nature).
- We performed a search on the Council's website of all key decisions that had been made within the 2024/25 financial year up to 31 March 2025. This listed 19 key decisions that were approved in 2024/25. We sampled three of these key decisions to assess whether the key decisions achieved appropriate scrutiny and the Council's approval process was appropriately followed. We did not identify any exceptions.

	2024-25	2023-24
Head of Internal Audit Opinion	Adequate	Adequate
Local Government Ombudsman findings (upheld decisions only)	3	1
Housing Ombudsman findings	1* *This incident took place in 2021, however the Ombudsman report was published July 2024.*	0

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Improving economy, efficiency and effectiveness

DRAFT

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

We have considered the following in our work:

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

Assessing the level of VFM being achieved and improvement opportunities

- The Council undertakes a programme of service reviews to identify improvement opportunities on a cost and performance basis. We have obtained a list of service reviews that have been planned for 2024/25. For a sample of three service reviews, we confirmed one was fully complete and the other two had the scope agreed by the Senior Leadership Team and were underway. For the one that was fully complete in 2024/25, we confirmed findings of the service review was presented to the Council for scrutiny, and approval was sought for the Assistant Directors to take necessary action on the recommendations made within the service reviews.

Development of efficiency plans and how implementation is monitored

- Detail on the Council's efficiency plans and how these are monitored are detailed on pages 10 and 11.

Performance of services

- The Council has a Performance and Governance Framework in place. Quarterly monitoring reports are presented to Cabinet. The report is a standard template that is updated for each quarter including key performance indicators (KPIs) with commentary to support performance and ratings based on the achievement of targets (red/amber/green). The report also includes risks with scores and any changes since the last report within the appendices. The KPIs are reported under relevant categories, for example Healthy Lives, Environment, Efficiency and Effectiveness.

Engagement with other stakeholders and wider partners

- The Council works closely with other organisations locally to support delivering economy, efficiency and effectiveness, namely with Boston Borough Council and East Lindsey District as part of the SELCP. Most notably, the Councils are working together to produce service reviews on different areas to focus on streamlining the processes across the three Councils. The aim is to achieve recurring, long-term efficiency gains and create a platform to meet future demands and opportunities within the service areas. We are satisfied from the sample of completed service reviews in year there is evidence of long-term considerations of the Council's resilience and flexibility across key functions. We have seen evidence the outcomes of these service reviews are presented to the Council for review and approval.

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Improving economy, efficiency and effectiveness

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Engagement with partners in development of the organisation and system wide plans and arrangements

Local Government Reorganisation

- On 11 November 2024, the Council approved a proposal to establish a District Joint Committee for the purposes of devolution and participation of non-constituent local authorities at the Greater Lincolnshire Combined County Authority. The purpose of the Joint Committee is to establish a collaborative platform for coordination among the non-constituent authorities and be a mechanism through which their interests are represented on the Greater Lincolnshire Mayoral Combined County Authority. The Joint Committee has a Terms of Reference and Standing Orders that were approved at the same Council meeting.
- Through inquiries with management, the Chief Executive and Corporate Assistant Director at East Lindsey District Council are leading on the reorganisation for the Council's in the South and East Lincolnshire Council Partnership.
- An interim plan was submitted on 10 March 2025 by Lincolnshire County Council. However, this does not impact on the Council's arrangements for the 2024-25 year of audit.

Performance of partnerships

- The Council's largest partnership is the South & East Lincolnshire Partnership. The Council has an annual delivery plan that is monitored by the Joint Strategy Board to support the Partnership in delivering on its priorities, as well as sovereign Council ambitions.
- The Council receives a six-monthly update on the South & East Lincolnshire Partnerships Performance report. We confirmed through minute review this was presented to the Council in October 2024 and May 2025.

Monitoring of outsourced services

Public Sector Partnerships Ltd (PSPSL)

- The Council outsources their finance function to PSPS, a local authority trading company owned by the three Council's in the SELCP.
- An independent review of the finance service delivery arrangements provided by PSPS for the delivery to the three Councils comprising the South & East Lincolnshire Partnership was prepared by CIPFA in October 2023, commissioned by PSPS. An action plan was put in place to continue to improve efficiency and effectiveness of arrangements. This was implemented during 2023-24. For 2024-25, we have seen evidence that a Review Action Plan was completed in April 2024.
- There was a focus on the lack of any formal Service Level Agreement (SLA) in place to outline responsibilities, with a recommendation made for one to be drafted and put in place. The April 2024 action plan confirmed the SLA is now complete and is in place for 2024/25.
- Within the Internal Audit plan for 2025/26, there is a review planned for PSPS contract management, with potential scope to support that agreed services are delivered and performance managed. Therefore, this provides assurance management is consistently reviewing the performance of their finance function.

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