



# Auditor's Annual Report for City of Lincoln Council

Year-ended 31 March 2024

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February 2025

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This report is addressed to City of Lincoln Council (the Council). We take no responsibility to any member of staff acting in their individual capacities, or to third parties.

External auditors do not act as a substitute for the audited body's own responsibility for putting in place proper arrangements to ensure that public business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

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**01**

# **Executive Summary**

# Executive Summary

## Purpose of the Auditor’s Annual Report

This Auditor’s Annual Report provides a summary of the findings and key issues arising from our 2023-24 audit of City of Lincoln Council (the ‘Council’). This report has been prepared in line with the requirements set out in the Code of Audit Practice published by the National Audit Office and is required to be published by the Council alongside the narrative report and accounts.

## Our responsibilities

The statutory responsibilities and powers of appointed auditors are set out in the Local Audit and Accountability Act 2014. In line with this we provide conclusions on the following matters:



**Accounts** - We provide an opinion as to whether the accounts give a true and fair view of the financial position of the Council and of its income and expenditure during the year. We confirm whether the accounts have been prepared in line with the CIPFA/LASSAC Code of Practice in Local Authority Accounting (‘the Code’).



**Narrative report** - We assess whether the narrative report is consistent with our knowledge of the Council.



**Value for money** - We assess the arrangements in place for securing economy, efficiency and effectiveness (value for money) in the Council’s use of resources and provide a summary of our findings in the commentary in this report. We are required to report if we have identified any significant weaknesses as a result of this work.



**Other powers** - We may exercise other powers we have under Local Audit and Accountability Act. These include issuing a Public Interest Report, issuing statutory recommendations, issuing an Advisory Notice, applying for a judicial review, or applying to the courts to have an item of expenditure declared unlawful.

In addition to the above, we respond to valid objections received from electors.

## Findings

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

<b>Accounts</b>	<p>We issued an unqualified opinion on the Council accounts on 4 February 2025. This means that we believe the accounts give a true and fair view of the financial performance and position of the Council.</p> <p>We have provided further details of the key risks we identified and our response on page 8.</p>
<b>Narrative report</b>	<p>We did not identify any significant inconsistencies between the content of the narrative report and our knowledge of the Council.</p>
<b>Value for money</b>	<p>We are required to give an opinion as to whether the Council has appropriate arrangements in place to secure economy, efficiency, and effectiveness in the use of resources.</p> <p>Our opinion is that the Council have appropriate arrangements place. We identified no significant weaknesses in respect of arrangements to secure economy, efficiency, and effectiveness in the use of resources. Further details are set out on page 10.</p>
<b>Other powers</b>	<p>See overleaf.</p>

# Executive Summary

There are several actions we can take as part of our wider powers under the Local Audit and Accountability Act:

## Public interest reports

We may issue a Public Interest Report if we believe there are matters that should be brought to the attention of the public.

If we issue a Public Interest Report, the Council is required to consider it and to bring it to the attention of the public.

**We have not issued a Public Interest Report this year.**

## Judicial review/Declaration by the courts

We may apply to the courts for a judicial review in relation to an action the Council is taking. We may also apply to the courts for a declaration that an item of expenditure the Council has incurred is unlawful.

**We have not applied to the courts this year.**

## Recommendations

We can make recommendations to the Council. These fall into two categories:

1. We can make a statutory recommendation under Schedule 7 of the Local Audit and Accountability Act. If we do this, the Council must consider the matter at a general meeting and notify us of the action it intends to take (if any). We also send a copy of this recommendation to the relevant Secretary of State.
2. We can also make other recommendations. If we do this, the Council does not need to take any action, however should the Council provide us with a response, we will include it within this report.

**We made no recommendations under Schedule 7 of the Local Audit and Accountability Act.**

**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 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 2024 and of Council's income and expenditure for the year then ended; and
- Have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

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

## **Our audit opinion on the financial statements**

We have issued an unqualified opinion on the Council financial statements in February 2025.

The full audit report is included in the Council's Narrative Report and Accounts for 2023/24 which can be obtained from the Council's website.

Further information on our audit of the financial statements is set out overleaf.

# Audit of the financial statements

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

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Valuation of Land and Buildings</b></p> <p>The council engages an internal valuer to perform a valuation of land and buildings, and an external valuer to perform a valuation of council dwellings. There is a risk that these valuations are not reflective of the fair value of the property.</p>	<p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.</p> <p>We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used.</p> <p>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.</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We raised recommendations relating to the fixed asset register and the impairment review process.</p> <p>We considered the estimate to be balanced based on the procedures performed.</p>
<p><b>Valuation of investment property</b></p> <p>The council engages an internal 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.</p>	<p>We compared the accuracy of the data provided to the valuers for the development of the valuation to underlying information.</p> <p>We evaluated the controls in place for management to review the valuation and the appropriateness of assumptions used.</p> <p>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.</p> <p>We agreed the calculations performed of the movements in value of land and buildings and verify that these have been accurately accounted for in line with the requirements of the CIPFA Code.</p>	<p>We identified one misstatement where the yields used by the valuer in relation to a property were optimistic and outside KPMG expectation. We identified a misstatement, being the difference in the value using KPMG expected yields, with the value expected to be overstated by £300k. However we did not consider this material and management have not adjusted.</p> <p>We considered the estimate to be optimistic based on the procedures performed due to the optimistic yields used in the valuation, however the resulting difference does not lead to a material error.</p>



# Audit of the financial statements

Significant financial statement audit risk	Procedures undertaken	Findings
<p><b>Management override of controls</b></p> <p>Professional standards require us to communicate the fraud risk from management override of controls as significant.</p> <p>Management is in a unique position to perpetrate fraud because of their ability to manipulate accounting records and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p>	<p>We evaluated the design and implementation of controls over journal entries.</p> <p>We assessed accounting estimates for biases by evaluating whether judgements and decisions in making accounting estimates indicate a possible bias.</p> <p>We analysed all journals through the year and focused our testing on those with a higher risk.</p>	<p>We did not identify any instances of management override of controls.</p> <p>We did not identify any instances of management bias.</p> <p>We raised a recommendation relating to the ability of journal postings to be made without segregation of duties between poster and approver.</p> <p>We did not identify any material misstatements relating to this risk.</p>
<p><b>Valuation of post retirement benefit obligations</b></p> <p>The valuation of the post retirement benefit obligations involves the selection of appropriate actuarial assumptions, most notably the discount rate applied to the scheme liabilities, inflation rates and mortality rates. The selection of these assumptions is inherently subjective and small changes in the assumptions and estimates used to value the Council's pension liability could have a significant effect on the financial position of the Council.</p>	<p>We have evaluated the competency, objectivity of the actuaries to confirm their qualifications and the basis for their calculations.</p> <p>We have 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.</p> <p>We have agreed the data provided by the audited entity to the Scheme Administrator for use within the calculation of the scheme valuation.</p> <p>We have 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.</p> <p>We have 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;</p> <p>We have confirmed that the accounting treatment and entries applied by the Council are in line with IFRS and the CIPFA Code of Practice;</p>	<p>We did not identify any material misstatements relating to this risk.</p> <p>We evaluated the competency and objectivity of the Scheme actuaries, to confirm their qualifications and the basis for their calculations with no issues noted.</p> <p>We agreed the data provided by the audited entity to the scheme administrator for use within the calculation of the scheme valuation with no issues noted.</p> <p>The overall assumptions are considered to be appropriate and balanced in relation KPMG's central rates but within KPMG's normally acceptable range overall.</p>

**03**

# **Value for Money**

# Value for Money

## Introduction

We are required to consider whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources or ‘value for money’. We consider whether there are sufficient arrangements in place for the Council for the following criteria, as defined by the National Audit Office (NAO) in their Code of Audit Practice:



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



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



**Improving economy, efficiency and effectiveness:** How the Council uses information about its costs and performance to improve the way it manages and delivers its services

## Approach

We undertake risk assessment procedures in order to assess whether there are any risks that value for money is not being achieved. This is prepared by considering the findings from other regulators and auditors, records from the organisation and performing procedures to assess the design of key systems at the organisation that give assurance over value for money.

Where a significant risk is identified we perform further procedures in order to consider whether there are significant weaknesses in the processes in place to achieve value for money.

We are required to report a summary of the work undertaken and the conclusions reached against each of the aforementioned reporting criteria in this Auditor’s Annual Report. We do this as part of our commentary on VFM arrangements over the following pages.

We also make recommendations where we identify weaknesses in arrangements or other matters that require attention from the Council. We make performance improvement observations where we identify opportunities to improve in areas where we have not identified any weaknesses.

## Summary of findings

	Financial sustainability	Governance	Improving economy, efficiency and effectiveness
<b>Commentary page reference</b>	13	16	19
<b>Identified risks of significant weakness?</b>	x No	x No	x No
<b>Actual significant weakness identified?</b>	x No	x No	x No
<b>2022-23 Findings</b>	No significant weakness identified	No significant weakness identified	No significant weakness identified
<b>Direction of travel</b>	↔	↔	↔

# Value for Money

## National context

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

### Financial performance

Over recent years, Councils have been expected to do more with less. Central government grants have been reduced, and the nature of central government support has become more uncertain in timing and amount. This has caused Councils to cut services and change the way that services are delivered in order to remain financially viable.

Some Councils have initiated innovative plans to raise new funds, such as through increasing commercial activity. Examples have included purchasing commercial assets such as shops and offices with a view to generate rental income, others have set up novel joint ventures to deliver regeneration schemes. Some have questioned whether commercialisation activities open Councils to excessive risk or could be a poor use of taxpayer monies.

Some Councils have issued what are known as “section 114” notices, in this instance a declaration that they cannot generate sufficient resources to meet the costs they need to incur. In some instances, this has resulted in a need for exceptional financial support from central government (such as approval to sell council buildings to meet costs) and severe cutbacks to services.

### Housing Revenue Account (HRA)

Councils which operate a HRA are required by law to prevent the account running into deficit, and must operate it independently of the main operations of the Council. HRAs have experienced financial pressure over the past few years on account of high inflation rates increasing the cost of operating housing, whilst central government cap rent increases at or below the rate of inflation.

Following tragic deaths in housing estates in Kensington and Rochdale, there has been increased focus on the safety of social homes. Landlords are required to take remedial action to ensure homes are compliant with fire safety legislation and new regulations to improve building safety more generally. These regulations have increased the costs faced by landlords, caused loss of income where properties were void for repairs, and increased the risk of regulatory action should improvements not be made.

## Local context

- The Council's General Fund achieved a surplus at year end (£600k), with reserves of £11.5m.
- The Housing Revenue Account also achieved a surplus at year end (£1m), with reserves of £7.8m.
- As part of its Capital Plan the Council spent £26.4m against a budget of £31.5m, resulting in an underspend of £5.1m. This was largely driven by delayed projects.
- There were no adverse inspectorate findings in the year.
- 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 budget setting process is a rolling process as part of the Medium Term Financial Strategy, this usually starts in the autumn of the previous year. For 2023-24, the preparation of the budget began in October 2022 with draft budgets approved January 2023. A detailed timetable is agreed by Executive and Council to ensure appropriate scrutiny and challenge can occur throughout the process. Budgets are initially prepared at a service level with budget managers producing initial expectations of requirements using their knowledge of the directorate through ongoing budget planning meetings. Discussions with finance team identified that detailed analysis on both demographic pressures and inflationary pressures (specifically with regard to external providers) are considered during the initial budget preparation stage. It is during this initial preparation at the service level that potential savings programmes are also identified and reviewed.

Service budgets are directorate driven and an iterative process of budget proposals considered by each of the Assistant Directors for their services. This is then presented to the Directorate Management Team (DMT) for challenge by the Director. Agreed Directorate proposals are then presented to Corporate Management Team (CMT) for challenge and agreement or not for inclusion in the budget. The Finance Team are involved in all of these stages and also provide independent challenge to the Directorates. CMT consider, and challenge, the CFO's proposals for underlying assumptions and resources assumptions. Budget Scrutiny Review Group provide cross party challenge of the budget and MTFS proposals. Communications take place prior to setting the budgets to allow review and challenge of any assumptions.

## *Budget monitoring*

Budget monitoring is performed quarterly, with reports provided to Directorate Management Teams, Corporate Management Teams, Executive, Performance Scrutiny Committee and these reports set out the current situation relative to budget and movements since the previous reports. They also cover the forecast for the remainder of the year. The Finance Team meet with budget holders to agree forecast outturn positions these are then agreed with ADs. These are detailed through quarterly monitoring reports which are completed by the DMTs. The overall position is then presented to CMT for agreement prior to reporting to Members.

# Financial Sustainability

## *Outturn*

For 2023-24, the Council set a balanced budget, with a small planned deficit of £191k in General Fund to be drawn down from reserves. At year end, the Council performed slightly better than expected and only required a drawdown of £175k. The key drivers of these positive movements in the forecast were increased invest income due to high interest rates (£504k) and increased car park income (£122k). These were offset by some cost increases in areas such as the National Pay Award of £440k. Overall the Council achieved closing un-earmarked General Fund reserves of £2.2m, which is above the Council's stated prudent minimum range of c.£1.5-£2m.

## *Savings*

As part of the Council's Toward Financial Sustainability Programme (TFS), the 2023-24 plan included the requirement to deliver savings of £185k. Savings plans are developed as part of the overall budget setting process and therefore encounter the same levels of challenge, scrutiny and approval as detailed above. Performance against the TFS target is monitored by CMT and reported quarterly to Performance Scrutiny and Executive as part of the monitoring process. Actions identified where projects fall behind plan are done through CMT as well as by individuals through project management. At year-end, the Council had achieved savings totalling £248k for the General Fund, resulting in an over-achievement of £62k in year.

## *Links to risk management*

The Council's Risk Management Policy details a clear process and reporting structure in how the entity is to respond and manage risks. The Council maintains a Strategic Risk Register (SRR) to identify and assess risks – including those relating to financial sustainability. The Audit Committee has overall responsibility for oversight of the register and the Performance Scrutiny receives the SRR on a quarterly basis as part of the monitoring process. Various risks relating to financial sustainability have been identified by the Council including risks related to future financial deficits and continued inflationary pressures.

## *2024/25 and the Medium Term Financial Strategy (MTFS)*

The Council's net General Fund Revenue Budget for 2024/25 was set at £15.4m including a planned contribution from balances of £146.8k resulting in an estimated level of reserves at the year-end of £2.4m, which is above the Council's stated prudent minimum range of c.£1.5-£2m. As at Q2 of 2024/25, the General Fund was projecting a forecast underspend of £37k.

# Financial Sustainability

2024/25 and the Medium Term Financial Strategy (MTFS) continued

Council’s Housing Revenue Account (HRA) for 24/25 net revenue budget was set with a planned contribution from balances of £101k, resulting in estimated reserves at year-end of £1m, after allowing for the 2023/24 outturn position. The HRA is currently projecting a forecast underspend of £519k which would result in HRA balances of £1.5m as at the end of 2024/25. This position maintains balances above the prudent minimum of c.£1m.

As at November 2024, the Council is in the process of refreshing its MTFS and this will include financial projections for the five-year financial planning period through to 2029/30. Current forecasts show balances will still be maintained over the period of the MTFS and there are planned uses of balances in the General Fund of £0.116m in 2025/26 and this is dependent on savings of £250k being achieved.

## Reserves

Reserve	2023/24 (£m)	2022/23 (£m)
General Fund	2.2	2.4
General Fund Earmarked	9.3	8.5
<b>Total General Fund Balance</b>	<b>11.5</b>	<b>10.9</b>
HRA	1.1	1.1
HRA Earmarked	6.7	5.6
<b>Total HRA Balances</b>	<b>7.8</b>	<b>6.7</b>

The Council’s usable reserves of £51.3m include General Fund reserves of £11.5m and HRA reserves of £7.8m, these rose in 2023/24. There is relatively small planned usage of General Fund and HRA reserves in both 2024/25 and 2025/26 with the Council maintaining the minimum level required. Clearly increases in financial pressures and non-delivery of savings will impact on financial sustainability and present a risk to the Council, however to date we are satisfied with the Council’s arrangements to maintain financial sustainability.

## Conclusion

Based on the procedures performed, we have not identified any significant weaknesses in relation to the Council’s arrangements to maintain financial sustainability.

Key financial and performance metrics:	2023-24	2022-23
Planned surplus/(deficit), excluding HRA	£191k	£61k
Actual surplus/(deficit), excluding HRA	£175k	£218k
Planned HRA surplus/(deficit)	£59k	£39k
Actual HRA surplus/(deficit)	£53k	£159k
Usable reserves	£51.3m	£48.9m
Gross debt compared to the capital financing requirement	0.72:1 (CFR £149.8m)	0.84:1 (CFR £146.1m)
Year-end borrowings	£107.7m	£122m
Year-end cash position	£130k	£509k

*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.*

# 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*

Risks are identified in line with the Council's Risk Management Strategy. This includes quarterly reviews of Strategic and Directorate registers where new risks are considered and escalated where necessary. Assessing the impact and likelihood of each risk is done as through a matrix which uses a likelihood/impact model to calculate a risk score. The score is assigned as per the strategy guidance. Challenge comes through a range of officer involvement through project boards. Support is also bought in from the County Council Risk Management Service as required to provide further support and challenge.

The Strategic risk register is presented to Performance Scrutiny and Executive on a Quarterly Basis. During the Q4 monitoring there were 14 risks contained within the strategic risk register; 6 were rated high (almost certain/critical) and 7 were rated medium (probable/major) and 1 was rated low (Hardly ever/minor). The development of actions is completed using the Risk management strategy Toolkit. Actions use the avoid/modify/transfer/retain matrix to evaluate responses to the risk depending on the severity and likelihood. Monitoring is undertaken through either project management teams or boards. The Strategic Risk Register is presented to Performance Scrutiny on a quarterly basis who are asked to consider the register and report any comments/issues to the Executive who also receive the register. Committee reports for all key decisions are required to set out the key risk associated with the proposed decision. This is a mandatory requirement.

## *Counter Fraud arrangements*

The Council undertake a number of measures to prevent and detect fraud. There is a Counter Fraud policy and strategy which complies with the requirements of the code, this sets out key actions for the Council to ensure compliance. We note a review of the policy and strategy was completed in year and this now up to date. The Council also receives assurance through the work of internal audit, and all staff are required to complete the e-learning on fraud which is held centrally. An annual fraud report is presented to the Audit Committee including the counter fraud action plan and fraud risk register. The Council is also part of the Lincolnshire Counter Fraud Partnership which shares good practice and provides advice.



# Governance

## *Risk related to finances*

The 2023-24 financial plan, as part of the MTFS, went through several levels of review prior to approval by the Council in February 2023. The MTFS includes a risk assessment of the key financial risks that the Council faces over the 5-year period. These risks are modelled to include inflation, council tax base, business rates base, pay inflation, interest rates etc. The MTFS also includes a section on Financial Resilience/Scenario Planning and Reserves.

Financial performance is monitored against budget regularly as outlined on page 19. As part of reporting to Performance and Scrutiny Committee, variances against budget are clearly identified and explained. Any mitigating actions are also identified. During 23/24 the Council has been able to manage increases in costs with increased income and continues to report an underspend for the year.

## *Compliance with laws and regulations*

The City Solicitor, in the role of Monitoring Officer, is responsible for monitoring compliance with all relevant/applicable legal requirements. All Executive reports are subject to mandatory consultation with Legal Services and Financial Services, with those more contentious decisions seeking sign off by the Section 151 officer and Monitoring Officer. Where required, Executive Reports, are supported by Equality Impact Assessments. Management inquiries have confirmed there have been no breaches of legislation or regulatory standards that has led to an investigation by any legal or regulatory body during the year.

The Council's housing stock at year-end totalled 7,784 properties. There was 5 maladministration findings from the Housing Ombudsman in year, none of which were severe, with total reported compensation of £1850 paid out. There were 2 complaints upheld against the Council in year with the Local Government Ombudsman, none of which were significant, with total reported compensation £300.

## *Codes of conduct*

The Council's Code of Conduct communicates values and expected behaviours of staff, this is covered through the Code of Conduct, Disciplinary Policy, Dignity and Work Policy and Probation Policy. This is communicated to staff as part of the recruitment process and is available on the staff intranet. This also covers requirements with regard to gifts and hospitality and the register of interests. There are a number of other policies available to view on the Council's website as well as the Constitution.

# Governance

## Decision making

Our risk assessment procedures and management inquiries confirm the Council has appropriate arrangements in place to ensure scrutiny, challenge and transparency of decision making. Key decision making is subject to discussion and scrutiny at executive team level and relevant sub-committees such as Audit and Performance and Scrutiny, followed by formal approval by the Council. All key decision records are available to view on the Council’s website.

The key decision made by the Council in year is the approval of the Western Growth Corridor and this has been included in our risk assessment. The project involves plans for a major housing development inside the city in partnership with Lindum Western Growth Community Ltd, with whom there is a formal Delivery Agreement outlining key milestones and targets. The Council has individual and joint project Boards, with clear terms of reference, detailing the instruments through which compliance and is ensured and enforced. There are suitable risk registers in place, designed as described on page 15, which are reviewed and monitored by the joint and individual project Boards. The Council have also recognised that through the lifecycle of the partnership, arrangements will be reviewed to ensure their remain appropriate.

## Conclusion

Based on the procedures performed, we have not identified a weakness associated with governance arrangements.

	2023-24	2022-23
<b>Control deficiencies reported in the Annual Governance Statement</b>	None identified	None identified
<b>Head of Internal Audit Opinion</b>	Overall Performing well	Overall Performing well
<b>Local Government Ombudsman findings</b>	No significant findings	No significant findings
<b>Housing Ombudsman findings</b>	No significant findings	N/A

# 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 information and performance management*

We have found appropriate arrangements and processes in place to support the Council in using information about costs and performance to improve the way services are managed and delivered, with a focus on the level of value for money being achieved. This is reported quarterly through Performance Scrutiny Committee and Executive.

The Council's performance framework includes regular service monitoring of detailed performance trends covering Performance measures, Volumetric measures and Customer satisfaction. Monitoring reports for the end of Q4 showed of the 76 performance measures 52 were either acceptable of meeting/exceeding the target, 16 were below and 18 were volumetric. There were action plans in place for all metrics below target.

Performance Scrutiny Committee reviews service and financial performance (against cost, performance, and satisfaction) on a quarterly basis and periodically reviews key (off target) services. Quarterly reports are also presented to the Executive. The performance framework also includes regular monitoring of Portfolios with annual reports from Portfolio Holders with a key focus on performance, these are presented to the Performance Scrutiny Committee. The Council reviews its corporate performance measures annually through a target setting process. The process is co-ordinated by the Corporate Policy and Transformation team, with input from all directorates. Target setting incorporates benchmarking, assessment of local conditions, and national indicators/reporting requirements. Key examples of this are found in financial performance monitoring where management use regional and national data to give context to the Council's current position.

## *Benchmarking*

The Council routinely undertakes benchmarking of service area costs. One off exercises of benchmarking are undertaken as and when required, for example a recent benchmarking exercise on fees and charges has been undertaken. Benchmarking information will also be gathered as part of any service reviews that are being undertaken. The Council is also considering the new Oflog metrics and the future use of such data, it has recently undertaken some assessment of the financial metrics in comparison to other authorities.

# Improving economy, efficiency and effectiveness

## *Partnership working*

The Council works closely with other organisations locally to support delivering economy, efficiency and effectiveness, for example the Council shares its Revenue and Benefits operations team with other councils in Lincolnshire under service level agreements. One of the Council's key partnership is with Lindum Western Growth Community Ltd for the Western Growth Corridor and this is managed through a Delivery Agreement and joint Board, as detailed on page 16. We have also seen evidence of how the Council worked with other partners on issues which could impact on the City, including emerging issues.

## **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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